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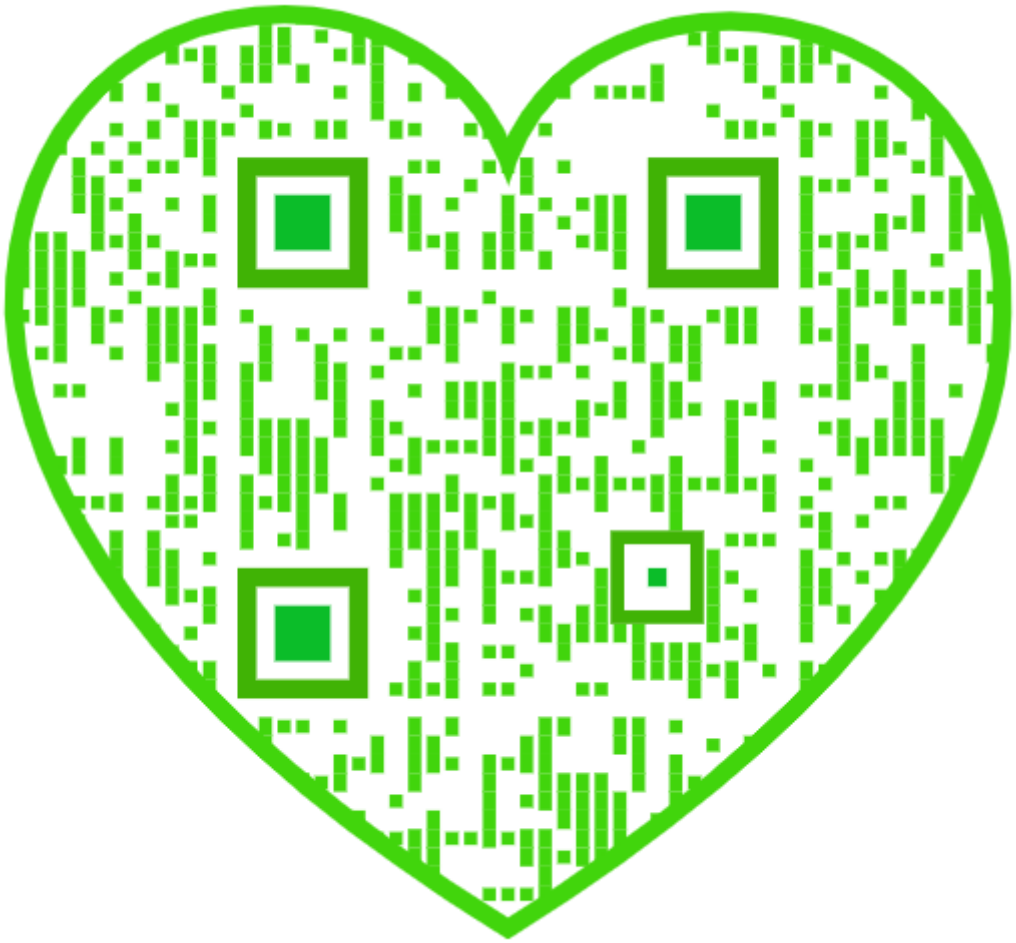

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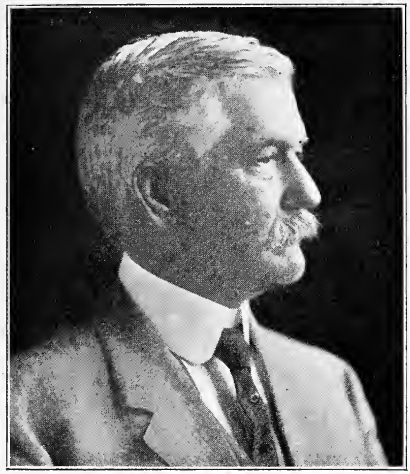

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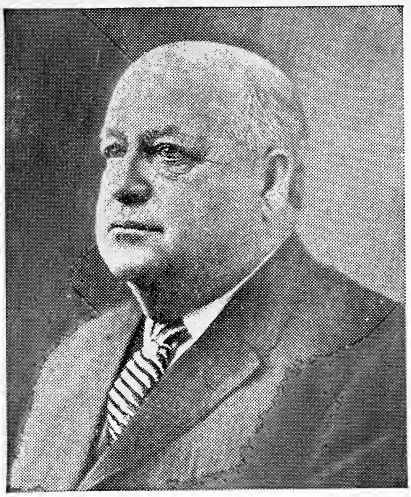

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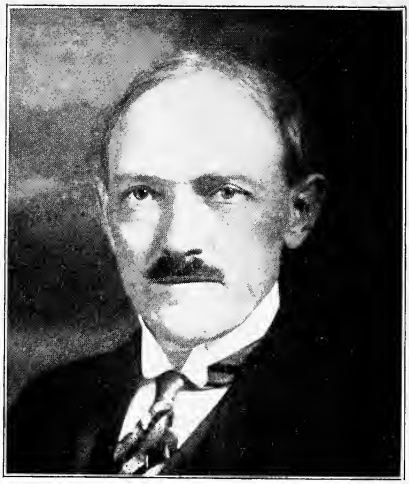

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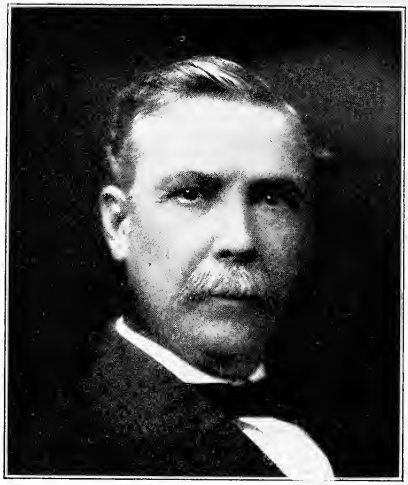

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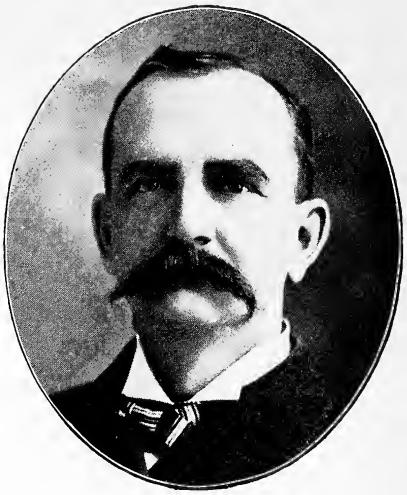

THE ANONYMOUS AUTHOR

As he appeared many years ago when he first became interested in the subject indicated by the following questions:

Improvements in labor-saving processes make it easier to produce the necessities and comforts of life, then why should not such improvements also make it easier for all to obtain and enjoy the necessities and comforts of life?

Why should not the intensity of the struggle for things be lessened by inventions which make it less difficult to produce things, and why should not life for all of us thereby be made less strenuous rather than more strenuous?

Why should the production of wealth be continually curtailed by panics, dull times, and the involuntary idleness of vast numbers of workers, whose constant employment would enormously add to the prosperity and wealth of the nation?

Is there a remedy? If so, does it point toward individualism and freedom or toward socialism and slavery?

Does the remedy require the confiscation of private property, or does it admit of compensation in full to all who would otherwise be injured by its adoption?

Must there not be some kind of a readjustment if our civilization is to survive against the forces of increasing want in the midst of increasing plenty? Read Lord Macauley's celebrated letter written in 1855, which President Garfield said startled him like "an alarm bell at night." See page 211, *infra.*

THE AUTHOR.

Henry Franklin Ring

The Problem of the Unemployed

Anonymous.

It demonstrates with mathematical certainty the cause of dull times and involuntary idleness. It shows why improvements in labor-saving machinery fail to increase wages and lessen the intensity of the struggle for existence. It points to the remedy; a remedy beneficial alike to employer and employee; a remedy which could be adopted *without confiscating private property or even impairing its selling value.*

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TO THE WIFE

WHO, AS COMPANION, COMRADE AND MENTOR,
FOR MORE THAN TWENTY-FIVE YEARS
HAS GLADDENED THE HEART
AND THE HOME OF THE
AUTHOR, THIS WORK
IS AFFECTIONATELY DEDICATED.

PUBLISHER'S NOTE

The Problem of the Unemployed, though an intensely interesting discussion of the most important problem confronting our civilization, is nevertheless a cold-blooded work on political economy, entirely devoid of sentiment.

While it discloses the simple and easily understood natural laws which control the distribution of wealth, the subject is not confused by advocacy of socialism, the single tax or any other so-called reforms. The underlying cause of industrial disease is clearly pointed out. The remedy which would cure it is shown. But the author claims that it is shown for the purpose of proving by setting forth the effects which would follow its adoption, that his diagnosis of the disease is correct. To the statesman and the politician is left the task of determining the possibility and the practicability of securing popular assent to legislation which would cure the disease. Hence liberal-minded people of all shades of economic opinion cordially recommend the book as, in the language of Mr. Chief Justice Pleasants, "A clear and forcible presentation of a question of most vital interest to society."

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CHAPTER I.

INTRODUCTORY.

QUESTIONS FOR THE POLITICAL ECONOMIST TO ANSWER.

WHEN the real explanation of any puzzling phenomenon in nature is discovered, it is generally found to be simple and easily understood. This does not always insure an immediate admission of the truth, however clear and easy of proof the explanation may be. The mind will not act impartially, when biased by previously conceived ideas, or by long training in the accepted canons of any art, or when warped by self-interest.

The phenomena of the sail of a ship being seen before the hull, of day following night, and of planets changing their places in the sky, were studied by astronomers for centuries before the simple explanation was advanced that the earth is round, turns on its axis, and revolves about the sun. Yet for many years afterwards this theory was disputed in all the great institutions of learning in the world. Its very simplicity, as well as the powerful influence of ecclesiastics, Protestant and Catholic alike, re-

tarded its acceptance; but finally, from the teachings of Copernicus, Galileo, Kepler and Newton, the beautiful theory of the solar system was made the basis of an exact science in place of the jargon which had been solemnly expounded as astronomy since the days of Ptolemy.

And so as to the new system of political economy. It is possible that an underlying cause, controlling the distribution of wealth and accounting for sociological phenomena which have heretofore baffled philanthropists and statesmen, has at last been discovered, and that from it has been evolved a system of political economy as simple and yet as comprehensive as the science which explains the movements of the stars.

Wealth in a civilized community is always produced by a combination of land, capital and labor. Land furnishes the material, capital the machinery, and labor does the work, including the work of planning and superintending. Under normal conditions, wealth, when produced, is divided among the factors entering into its production, a portion of it going to land as rent, another to capital as interest, and the remainder to labor as wages, the latter including compensation for superintendence and also for direction of the use of capital, a service which is often performed by the owner of the capital employed.

Land and rent, capital and interest, labor and wages are the primary factors to be taken into account in the study of the science of political economy. Properly defined from an economic standpoint these factors are all that need be considered in ascertaining the laws which control the production of

wealth and fix the ratio of its distribution among land owners, capitalists and laborers. If political economy is a science, it will not only explain and account for the most important of sociological phenomena but it will also show the bearing of existing laws upon such phenomena, and the effect of legislative changes which a comprehensive grasp of the science may suggest.

Legislation must be viewed by the political economist from a cold and purely scientific point of view, without reference to the justice or the injustice of it, but solely as to its effect upon the production and distribution of wealth. Questions of ethics, of compensation, of equitable distribution, of the effect of popular prejudice and passion in applying to practical politics the knowledge obtained from the study of political economy, have nothing to do with the science itself. Such questions are for the moralist and the statesman, not for the student of economic science. His work should neither be embarrassed nor confused by considerations relating to them. Neither should his judgment be biased by interest in any so-called reform or by prejudice in favor of what future generations may perhaps regard as time honored wrongs.*

It is possible that economic science may point with unerring certainty to the necessity of changes in leg-

*The author while agreeing in the main with the majority of those to whom he refers as political economists of the new school, disclaims any attempt to reflect the views commonly accepted by them. Those of this school who may be disposed to criticize some of his positions are reminded that the object of this work, as stated on the title page, is simply to show, from the cold standpoint of science, the underlying cause of involuntary idleness and the failure of wages to keep pace with the increasing wealth-producing power of wage earners.

islation in the interest of an overwhelming majority of people, modifying to some extent now accepted rights of property and affecting the distribution of wealth; but even so, the timid conservative need not be alarmed on this account, nor should he for this reason shrink from a thorough investigation of one of the most important and interesting subjects of human thought. As has ever been the case in the progress of the race toward improved social conditions, such changes as may be found desirable will come slowly, periods of reaction following those of action, and the losses, if any, accompanying unavoidable readjustments of economic conditions will necessarily be largely diffused among all.

It is generally claimed, whether true or not, that wages do not keep pace with the wealth producing power of the laborer. And not only so, but that the disproportion between the total amount of wealth produced and the portion of it going to labor as wages is becoming more and more marked, as, with accelerated ratio, labor-saving inventions increase and multiply. Wages of individual members of the highly skilled class of workers have risen and are undoubtedly higher than ever before. The prizes offered for exceptional ability on the part of such workers are of dazzling magnificence, and the law of the survival of the fittest gives to the child of the poor, when highly endowed by nature, an equal chance with the child of the rich to win in the field of mighty enterprise. The lives of the captains of industry and the self-made men of America tend to prove that this is true. Still, as is always the case with prizes, while all may have equal opportunity to strive for them, success can crown the efforts only

of the few. As to the overwhelming majority, labor-saving processes have not as yet relieved them from the necessity of working almost as hard as ever before for a bare living, nor does the struggle for existence appear to be less intense or the fear of the loss of employment less disquieting than when wheat was cut with a sickle and the whir of the bobbin was heard at every door.

Is the failure of wages to advance more rapidly and the frequent inability of laborers to find employment justly attributable to the faults of laborers themselves? The teeming millions, under any condition of society, must perform the manual and clerical work of the world, and if every one working for stated wages were to become a Washington in honesty and a Franklin in ability and thrift, is it clear that the demand for labor would increase thereby? The efficiency of the laborer and the amount of wealth produced would be increased; but this is what labor-saving appliances have already accomplished and what they bid fair to accomplish in far greater degree. In many lines of employment the most idle and trifling of laborers, with the aid of such appliances, produce wealth in far greater quantities than was possible on the part of the most conscientious and intelligent fifty years ago. Why should increased efficiency of all laborers through improvements in their character and ability any more increase the demand for labor and the wages of laborers than increased efficiency produced by improvements in labor-saving appliances?

Is it true that, as population increases, the wages of the poorest paid class of labor naturally tend to fall to the point at which the laborer can barely sub-

sist, and that the wages of all other classes tend to fall in like proportion? If this is the case, what is the reason of it? It would be natural to suppose that the more wealth the working class produced, either by the aid of labor-saving machinery, or by working more hours in a day, or by greater faithfulness toward employers, the higher would wages be for all. Such, however, does not seem to be the result. The impression that a labor-saving device, by dispensing with the work of laborers, to that extent reduces the demand for labor and the wages of the laborer, still lurks in the mind of the working man; and improvements in machinery which increase his capacity to produce wealth are dreaded and feared, instead of welcomed as the means by which his burdens can be lightened and his hours of leisure increased.

If it is true that labor-saving processes do not increase wages in the same proportion in which they increase the laborer's ability to produce wealth, where does the increasing difference between the wealth which he produces and that which he receives as wages go? Who gets it, and what becomes of it, and what is the law which controls its distribution?

Mr. Carroll D. Wright, formerly United States Labor Commissioner, who was usually able to prove by figures that social conditions, no matter how bad, were better in all respects than ever before, states, in "Practical Sociology," that the census of 1900 showed that 5 per cent. of the workers of the United States (about 1,250,000) were involuntarily idle all the time. Why is it that in the midst of unlimited opportunities for work which unused lots and lands afford, such immense numbers of men, willing to

work and begging for work, should be unable to obtain it?

In 1880, tenants operated 25 per cent. of the farms in the United States; in 1890, 28 per cent.; in 1900, 35 per cent.; in 1910, 37 per cent. Is it necessary that others should own the land on which the real farmer toils, or that the number of land owning working farmers in America should steadily decrease as wealth increases?

The census shows that the average amount of wealth in the United States in 1850 was $308 for every man, woman and child, while in 1900 it was $1,243, and in 1914 about $1,800—a six fold increase. If capital and labor can thus produce wealth in such immensely increasing quantities, why is it that in a free and enlightened country the average wages of the great majority of wealth producers are still little more than barely sufficient for the support of life, while many men, in a single lifetime, accumulate millions, tens of millions, and even hundreds of millions of dollars? Mr. Frank A. Fetter, Professor of Political Economy at Cornell University, in "Principles of Economics," states that 1 per cent. of all the families in the United States own more wealth than the remaining 99 per cent. Shall this apparently increasing inequality in the distribution of the wealth in this country be wholly attributed to the superior virtues of men of the class of Rockefeller, Schwab and Carnegie, or to the maladministration of the forces of government? And if to the latter, in part at least, in what respects are the powers of government maladministered?

In England today, where wages are higher than in most of the countries of Europe, and where labor-

saving appliances are utilized to the fullest extent, it is claimed that one-fifth of the population is "condemned to a poverty which destroys them physically and spiritually, * * * they do not have enough to eat, are inadequately clothed, sheltered and warmed in a rigorous climate, and are doomed to a moral degeneracy which puts them lower than the savages in cleanliness and decency." Commenting on this statement from the "People of the Abyss," by Jack London, and referring to the fact that Mr. London's conclusions are supported by those of Mr. Charles Booth, Mr. B. S. Rountree and others who have investigated the matter, The Public, published in Chicago, says:

> "College settlements, missions, charities and what not can make no perceptible impression on the rising tide of poverty accompanying increase of population and produced by an artificial scarcity of land. 'In the nature of things,' says Mr. London, 'they cannot be but failures. They are wrongly though sincerely conceived. They approach life through a misunderstanding of life, these good folks. * * * The very money they dribble out in their child's schemes has been wrung from the poor.' Shall thrift be preached? 'It is sheer nonsense,' he replies, 'to preach thrift to the one million eight hundred thousand London workers who are divided into families which have a total income of less than $5.25 per week, one-quarter to one-half of which must be paid for rent.' "

We seem to be approaching similar conditions in the United States. Thus, a correspondent of The Outlook, after describing the dreadful homes in which the striking packing-house employes of Chicago were living, says:

> " 'I have never had a child come to me for treatment,' said a local doctor, 'who has not had

enlarged glands of the neck. These glands are meant to absorb poisonous matter. These little children live in homes so foul and overcrowded, they take in so much poison that their glands are overworked. They suffer, too, from underfeeding, and hence anaemia. In the blood of a healthy person, the "count" should be between 85 and 95. Among my patients, I rejoice at finding the count of 50. I have found it as low as 28.'

"In such homes, it is hard for family life to keep wholesome and pure. 'Any man who has a family of little children here,' said a Polish doctor, 'simply cannot keep it alive on the un-American wage of six or seven dollars a week, especially since the cost of living is rising so high. To keep the home alive on such a wage, the mother, too, must work in the yards, and sometimes she not only works by day, but comes home at night to cook for the six boarders who are crowded with the family into the small four or five room flat. With no money for wholesome recreation, and with the home so overcrowded with boarders, it is natural enough that drinking is so heavy, and that in many cases immigrant wives and daughters grow inured to sexual immorality—or rather unmorality.' The moral is—don't have families."

The late Thorold Rogers, professor of political economy of Oxford University, and for many years a member of parliament, in his "Six Centuries of Work and Wages," shows that the golden age of the English workingman as regards wages was back in the fifteenth century, 500 years ago, when he received the equivalent of the carcass of a sheep for a day's work of eight hours. The eight-hour day was then universal; paupers were unknown, and such a thing as an able-bodied man wanting work and un-

able to find work was unheard of in England. Now 8 per cent of its population in normal times are paupers, and over one-fifth of its people do not have enough to eat and are insufficiently warmed, clothed and sheltered. Yet food, fuel, clothing and shelter can be produced in greater abundance now and with far less expenditure of human labor than ever before.

In the fifteenth century a man could spin five hanks of twist in a week; today a man and a boy spin one thousand hanks in the same length of time. Wheat was garnered with a sickle and threshed with a flail; now the reaper and the threshing machine increase the output of harvest hands twenty fold. Nails were then forged by blacksmiths one by one; now they are so cheap that carpenters can not afford to pick them up when dropped. And so in hundreds of other instances labor saving appliances have increased in like degree the efficiency of labor as well as the ease and rapidity with which the necessities, comforts and luxuries of life can be produced.

But inventions which save labor have not as yet saved the laborer. They have not as yet made it easier for him to obtain the primary necessities of life. His children, often denied the child's birthright to play in the sunshine and under the green trees, by the millions toil long and dreary hours in mines and factories, his women folks, in constantly increasing numbers, compete with men for work which men alone should do. And the employer, no matter how kindly disposed, can seldom afford to pay higher wages. He, too, has to stand the pressure of the upper and nether millstones of our murderous industrial system, which grind alike the average employer and the average employe. And so progress in

the industrial arts as to multitudes of average men is now a hollow mockery if not a blighting curse. As to them, inventions have not lessened the intensity of the struggle for existence. They are the victims, not the beneficiaries, of steam and electricity, the mighty forces of nature tamed by man and now often used in the enslavement of fellow man.

We are always suffering chronic dull times; duller some times than at other times, but more or less dull all the time. We grow too much cotton, though millions of people are insufficiently clothed. We produce too much food, though half the population of the world is insufficiently fed—shoemakers wanting work and millions wanting shoes. And so in every line of industry men are out of work, while other men need the products of their work, which products they would freely buy but for their own involuntary idleness. Why this constant derangement and clogging of the wheels of industry? What, if any, are the obstacles to steady employment for all who want steady employment?

Why do not the rewards of labor, both as to the average employer and the average employe, keep pace with constantly accelerating progress in the arts and sciences?

Why are men willing to work so often unable to find work, and this, too, in the midst of abundant unused natural opportunities for work?

Why is it that in every great and populous center of wealth and civilization a submerged class is found whose condition, as was stated by Huxley, is more deplorable than that of man-eating South Sea Island savages?

Is it not probable that the evils referred to in these questions are caused by an improper application of the forces of government, and might they not disappear if these forces were understood and properly applied?

Is it not true that our social as well as our physical relations are controlled by natural laws? If so, does legislation in harmony with the natural law tend toward individualism and freedom, or toward socialism and slavery?

In an age in which the phenomena of the physical universe are studied with great eagerness and success, the indifference everywhere shown to a knowledge of the laws which control the social relations of men to one another and the earth on which all must live is a remarkable psychological fact. How strange that we should be more interested in the movements of stars than in knowing the cause of appalling want in the midst of constantly increasing plenty. When strikes, lockouts, boycotts and the hatred and passions engendered by the present wasteful system of industrial warfare shall have passed away, what then?

Why is it that so few sociological experts attempt to answer, even in their own minds, the questions propounded in this chapter? Is it because the questions are uninteresting? Is it because they do not pertain to the science of political economy? How can political economy be other than a dull and profitless study if questions within its scope, vitally affecting the well being of mankind, are ignored?

NOTE:—It has been said that the real interest of this book to the average reader begins with Chapter VI, page 69. The person who is willing, however, to really study the science of political economy will be interested in this and the following three chapters.

CHAPTER II.

DEFINITIONS OF WEALTH, LAND, CAPITAL AND LABOR; AND RENT, INTEREST AND WAGES.

DEFINITIONS of the terms used in the study of any science are of the greatest importance; and, as is often the case, the scientific definition is sometimes more and sometimes less comprehensive than the popular one. This is especially the case in political economy, since its terms are necessarily those loosely used in ordinary conversation. It is all important, however, that the definitions given should fit, for unless the term employed in any instance means the same in all instances of like character, clearness either of thought or of statement is impossible. Definitions which do not stand this test must be rejected. It is, therefore, first in order to define wealth and the factors which control its production and distribution. The distinction between these definitions and the customary meaning of the words defined must always be borne in mind.

WEALTH is any material thing produced by human toil which gratifies a human desire, and nothing can be regarded as wealth in an economic sense which does not come within the scope of this definition. Wealth includes food, clothing, buildings, machinery, ships, and all improvements produced by labor. It is always something of sea or land which

has been molded, or fashioned, or transported, by the application of human skill and industry. It does not owe its existence to legal enactments, though its price, or exchangeable value, may be enhanced, impaired or destroyed by legislation, yet the substance itself constituting wealth can never be blotted out of existence by the mere fiat of law. A book is wealth, as defined above, but not the copyright, the existence of which depends upon legislation, and which can be made valueless by a mere legislative act. The copyright is a special privilege conferred by law, and while the repeal of this privilege, which means the repeal of the right to dictate the terms of publication and sale, might make the owner of the copyright less wealthy, according to the popular meaning of the word, the amount of wealth in the world would not be affected thereby. This is also true with respect to patent rights and all other special privileges founded on governmental law.

The mere fact that a thing may be bought and sold, and that its owner may obtain wealth in exchange for it, does not bring it within the definition of wealth. Shares of stock in companies and corporations do not constitute wealth as here defined. A certificate of stock simply shows that the holder is the owner of a definite undivided interest in the tangible property of the corporation to which it relates, and in the special privileges which the corporation may enjoy. So, also, bonds and promissory notes, whether secured by mortgages or not, do not come within the definition of wealth. They are but promises to repay wealth previously borrowed. In respect to them as well as to stock in companies and corporations, the location of the tangible wealth to

which they refer may be thousands of miles distant and subject to the jurisdiction of a government foreign to that under which the owner lives. If these evidences of ownership and promises to pay were destroyed, or rendered valueless by the repeal of special privileges, or by other legislation, the amount of real wealth in the world would not be thereby lessened one iota. The things to which they refer would still remain unchanged.

Money in itself, either on hand or in bank subject to the owner's order, is not wealth, although coin considered as bullion is wealth, its value as such depending upon its weight and fineness. Money simply represents commodities, that is to say, wealth, previously exchanged for it, and for which it can at any time be re-exchanged, or exchanged for other commodities at the owner's option. Sound money is like a warehouse receipt. It evidences the fact that the owner of the money has in effect deposited in the great warehouse of the world, commodities of a certain value, for which he has been given a receipt; that on presentation of this receipt in the world's clearing house, he will be entitled to have restored to his possession the articles originally given in exchange for it (subject to fluctuations in prices) or an equivalent in other commodities.

It is possible to conceive of trade and exchange of commodities being carried on without money or any circulating medium, just as a game of poker or any other betting game can be played without money, or emblems, such as "chips," representing the amount of the stakes. This could be done by means of a possible, though extremely complicated and expensive, system of bookkeeping conducted by a bureau of the

government, in which would be noted A's sales to B and B's to C and C's to D and D's to A, thus closing the circuit and cancelling the accounts between all parties as effectually as a fifty dollar bill passing from one to the other might do it. But, as in the game of chance, it is much more convenient and expeditious to use emblems representing the amounts bet than to note them down in writing, so in carrying on the trade of the world, it is much easier and more economical to use tokens, i. e., money, than to resort to bookkeeping. Money in fact is but a labor-saving appliance which dispenses with the vast amount of work which would be involved in the barter or direct exchange of commodities, or in any system of bookkeeping which might be substituted for it; and while money in this sense is doubtless susceptible of improvement in matters pertaining to its issuance and volume, and affecting its utility as the measure of values—improvement which would save waste and increase production—yet all this would only amount to a saving of labor, and in the end would have no more effect upon the production and distribution of wealth than any other improvement in a labor-saving device.

To have a clear conception of the laws which regulate the production and distribution of wealth, one must be able habitually to associate sound money with tangible things and commodities. When we say that a man has ten thousand dollars in money, we must instantly see and realize that what he in effect really owns and has in his possession consists of two thousand barrels of flour of the value of five dollars a barrel, or five thousand pairs of shoes of the value of two dollars a pair, or ten thousand yards

of cloth of the value of one dollar a yard, or ten thousand dollars worth of any of the things to be found in the markets of the world. The man who owns the money has himself in effect already deposited these identical things or the equivalent of them in the warehouse of the world's market, just as he may have deposited his currency or gold in a savings bank; and, as on presentation of his pass book to the bank he can draw out his money in lots to suit, so on presentation of his money in the markets of the world, he can draw out the identical commodities previously deposited by him, or others of equal value, in lots to suit.

We say, for instance, that Farmer A has ten thousand dollars cash in hand which he saved in ten years. This means that his receipts during this period exceeded his expenditures by ten thousand dollars; or, in other words, that the value of his deposits of wealth in the markets of the world in the form of wheat, cattle, vegetables, etc., exceeded his withdrawals of wealth from the same markets in the form of clothing, groceries, furniture, implements, etc., by ten thousand dollars. It means that at the end of the ten years, he had in effect remaining to his credit in the great world warehouse, a portion of the cattle and things which he had previously deposited there, and that this remainder was of the value of ten thousand dollars, for which he received from the world's clearing house ten thousand dollars in money. The money simply certified that he was entitled on its presentation to withdraw, in lots to suit, these identical commodities left by him in this storehouse and resume possession of them; or, if he so preferred, receive the equivalent of them in other

commodities. While the wealth which the day laborer or the mechanic or merchant may save and accumulate cannot be so readily traced and illustrated as that saved by the farmer, the process, as will readily appear on reflection, is precisely the same. When we save money we are saving the things for which money can be exchanged.

Improvements on land come within a correct definition of wealth, including such improvements as result from the artificial fertilization of the soil, or the breaking of the prairie sod, or the clearing away of the primeval forest. Wealth does not include coal beds and mineral deposits, but it does include improvements used in connection with them to the extent to which the shaft, the tunnel and the appliances for reaching and bringing to the surface the coal or the ore, represent the application of human toil and skill. Wealth also includes domestic animals, since human labor and skill to a greater or less extent are employed in raising and making them useful to mankind.

Wealth in the sense here used may be produced without making any physical change in the object itself to which it relates. This is effected by a change in its position or in its relations to other objects. One hundred bushels of wheat in the hands of a farmer in the West is worth, say, eighty dollars. By means of facilities furnished by capital and the efforts of labor applied by teamsters, railroad employes, merchants, brokers and others, these hundred bushels of wheat are transported and placed in an elevator in New York with 100,000 bushels of other wheat, thus reducing the cost of handling it and putting it in closer proximity to consumers. This

wheat is now worth a hundred dollars; for, by thus changing its position, wealth of the value of twenty dollars has been produced and added to it just as effectually as when, by the application of capital and labor to the polishing of a piece of furniture, twenty dollars may be added to its value, or in other words, twenty dollars more of wealth attached to it. Additional values added to any product in this way by changing its position or relation to other things has the same effect on the production and distribution of wealth as when capital and labor are applied to making or producing the thing itself. It is more convenient and accurate, however, to refer to the change thus made as additional wealth produced and added to the article in question than as additional values added to it.

Wealth, under some circumstances, may also be produced by the so-called speculator who buys surplus products when cheap and holds them for a future rise in prices, provided the "cornering" of the market is not attempted. Thus, the buying of the farmer's wheat or cotton as soon as it is raised, and holding it with the expectation of its advancing in price before the next crop matures, tends to equalize prices and to prevent the sale of products at abnormally low prices when first marketed, and the waste thereby resulting.

In general, neither land nor any material thing as it lies untouched in the great storehouse of nature is wealth, but it becomes wealth after it has been operated upon and placed, by the hand of man, in a position or condition in which it can minister to his wants and wishes. This, then, is a correct and comprehensive definition of wealth, one easily under-

stood and applied, and which means the same thing under all circumstances, viz: Wealth is any tangible thing which gratifies human desires, the raw material of which comes from the earth, and which owes its changed condition to human effort. In an economic sense, nothing else is wealth. It is to those things which come within this definition of wealth that the science of political economy applies.

LAND includes all material things which do not consist of wealth as defined above. Land is the material on which and out of which wealth is produced. It includes all the raw material in the great storehouse of nature, which has been furnished for the use of mankind. Embracing the surface of the earth, it cannot be increased or decreased to the extent of a single square yard. Portions of the earth's surface covered by water, for instance, may be drained or filled in, and wet land changed into dry land, but improvements of this character generally constitute wealth and must be considered separate and apart from the site or the surface of the earth which they occupy. Land includes the sites on which the railroad tracks and terminals are constructed, on which farms are located, and dwelling-houses and factories are built. It includes the coal beds and the mineral deposits and the undomesticated animals of land and sea, and in fact all the products of the earth as they lie unused and untouched by the hand of man.

Wealth is not only produced on land devoted to agriculture, but it is also actually produced in far greater quantities on land devoted to commerce, mining, manufacturing and to other business purposes. As already shown in defining wealth, it is as accurate to say that the wealth of the world is increased by the

work of merchants and brokers as that it is increased by the work of farmers and mechanics. The city lot on which the work of exchanging commodities is carried on is as much devoted to the production of wealth as the land on which the commodities themselves are raised or manufactured. Every one of the acts in the ordinary course of business by which wheat, for instance, is transported to the mill, ground into flour, baked into bread, and placed in the hands of the consumer, adds a certain amount of wealth to it, the aggregate of which usually exceeds by many fold the value of the original product. One of the most important acts by means of which a few bushels of wheat in the hands of a farmer in Iowa are finally exchanged for a pair of shoes in the hands of a shoemaker in Massachusetts, may be performed by a broker in an office on Wall Street. Wealth thus produced and added to the wheat by this broker operating on land in Wall Street does not differ in effect from the wealth produced by the farmer in raising the wheat on land in Iowa. Owing to the favorable location of Wall Street land for the purpose, great numbers of such exchanges are effected upon it annually, involving enormous amounts of products and adding to them in the aggregate enormous sums of wealth. The wealth thus actually produced on a single city lot may exceed the wealth produced on a thousand farms in Iowa. Men will pay more for the privilege of producing wealth on such a lot than the value of a thousand farms in Iowa, since a lot of this kind often sells without reference to improvements for more than the price of a thousand farms. Thus, land on Wall Street, exclusive of improvements on it, has sold at the rate of over twelve millions of dollars per

acre, many an acre often being worth more than a thousand farms.

It is thus seen that the importance of the factor of land in fixing the ratio of the distribution of the products of labor does not depend upon area but upon value; nor does it lie so much in land devoted to agriculture as in land devoted to business, manufacturing, mining, and speculative purposes, including railroad rights of way and terminals, the aggregate value of all of which in the United States is now many times greater than that of all lands in actual cultivation, exclusive of improvements on them. In Greater New York, for instance, the tax assessment of 1914 shows that the value of the land alone, exclusive of all improvements upon it, is over four billion dollars. It is estimated that the land values of that city equal the land values of all the land in crop cultivation west of the Mississippi river. In this connection it is interesting to note that buildings and improvements on land in New York City are assessed at less than two billion dollars, or but little over half as much as the land alone.

CAPITAL is wealth used to produce more wealth. While all capital is wealth, all wealth is not capital. It is not difficult to draw the line marking the difference between capital and wealth, since it is sufficient to say that wealth which is not employed in the production of more wealth is not capital, while all wealth thus employed is capital. An axe in the hand of a laborer is capital, as much so as a dredging machine costing a hundred thousand dollars.

Capital includes all material instrumentalities, however simple or complex, coming within the definition of wealth, which are used in the production

of more wealth. Capital is something, the use of which saves labor, something which makes labor more effective in the production of wealth. It is in reality stored up labor. In the case of the manufacturer, his machinery and the buildings in which it is operated, are capital; so are the raw materials and manufactured products which he finds it expedient to carry; so is also the money which he may have on hand, according to the definition of money already given. In the case of the farmer, capital includes his farm buildings, agricultural implements and livestock, and provender and food carried from one harvest to another. In the case of the merchant, it includes his stock of merchandise and the building needed for his business.

Capital is always wealth in the form of some labor-saving appliance, or wealth so used as to save labor. The capital, for instance, constituting the merchant's stock of goods, is used as effectually in the saving of labor as capital in the form of any labor-saving machine. The accumulation at a place convenient of access to consumers of the goods constituting his stock in trade saves the enormous waste of labor which would otherwise be involved were the producers themselves compelled to journey around, seeking purchasers for their surplus products. Wealth invested in a building to house a laborer is capital, since the workman cannot work and produce wealth without the protection from the elements which the building affords; hence such a building is wealth used to produce more wealth.

Capital is the fund from which wages are drawn,*

*Capital being the product of labor, and in effect stored up labor, it may not be strictly accurate to say that it is the fund

and since, as will be shown later, capital is in effect stored up labor, it is proper and convenient to refer to the capital in a community or nation as the wage fund of such community or nation. But capital can never include land, and no consistent or logical system of political economy can be formulated in which land, under any circumstances, is regarded either as capital or wealth.

LABOR is work performed usually with the aid of capital upon raw material furnished by land, by means of which wealth is produced. Those who do this work are divided into two classes, viz: employers and employees, the employee, however, being often his own employer. Labor is human effort, both mental and physical, applied to material things for the purpose of producing wealth. When such effort is applied simply for the purpose of acquiring wealth produced by others, it is not labor within the economic meaning of the word, nor does wealth thus acquired come within the definition of wages. Labor includes work performed upon material which may have already become wealth, by means of which its value is increased or, in other words, wealth added to it. Labor includes the work of the brain in organizing, inventing, planning, managing, directing and superintending, as well as that of the muscle in lifting and tugging. It includes the work of the

from which wages are drawn. This objection, however, seems technical, since employees as a class cannot wait for the payment of wages until products are finished and placed on the market and sold. Few enterprises could be carried on under modern methods but for the previous accumulation of capital from which the employee receives his wages as the work progresses, although he in effect produces in advance day by day the wealth afterward given him in exchange for his labor.

employer as well as the work of the employee, and one is as much a laborer as the other.

Since any kind of a tool is capital, it is perfectly accurate to limit the economic sense of the word "labor" to work performed with the aid of capital in the production of more wealth. While it is also proper to limit labor to work which produces or increases wealth, this limitation does not exclude the work of the merchant or broker or any other middle man. It is obvious that work performed, for instance, in manufacturing wheat into flour, increases the amount of wealth in the world, and is labor; and on reflection, it must appear equally clear that the work performed by the merchant or broker in selling the wheat or the flour adds to its value and in effect adds wealth to it. Labor also includes the work which is often performed by the owner of capital in managing the business in which his capital is invested and in planning the application of capital, by means of which he is enabled to enjoy a larger income than if, like other capitalists, he simply loaned capital at interest to some one else who would perform the labor involved in the management of it. Even the exercise of judgment and discretion on the part of a capitalist in buying stock in a wealth-producing company or corporation may often come within the economic definition of labor, for the performance of which wages are paid.

The labor of employers, in the management and direction of capital which they own or control, is as much devoted to the production of wealth as that of mechanics and self-employing farmers. It is simply a kind of skilled labor. Wages received for service of this sort are often much higher than those re-

ceived by laborers working for stated sums. Such wages, however, are contingent on the success of enterprises. If losses and failures could be estimated it is probable that the average wages of employers would not be found to be excessive, as compared with those of employees.

The work of servants who simply minister to the comfort and ease of employers is not always directly instrumental in the production of tangible things coming within the definition of wealth, and is not labor in the economic sense of the word. Neither is work performed for the purpose of acquiring wealth by theft, or by combinations in restraint of trade, or by means of special privileges, or in any other manner of like character, labor in the economic sense of the word.

ECONOMIC RENT is what is paid for the use of land, without regard to improvements on it or anything done to make it available for use. It is what capital and labor pay for the privilege of producing wealth from the raw material of nature, which is land, as previously defined. It is what is paid for access merely to the storehouse of nature. Since neither capital nor labor can be employed for a single instant without the use of land, rent may properly be considered the price paid for the opportunity of employment. A royalty of so much per ton for the privilege of sinking a shaft and producing wealth in the form of coal, available for use, is economic rent as here defined.

Rent may be paid annually, or it may be paid in advance in the form of purchase money expended for land. In either event, it is what is paid for the privilege of access to land, and the result as to the

production and distribution of wealth is the same. This is also true, even though the land owner and the capitalist and the laborer be united, as often happens, in the same person.

Ground rent, as known in England and subject to which most of the buildings in the cities of that country have been constructed, comes within the definition of rent. There is a wide difference between the economic and popular meaning of the word rent. Rent in its popular meaning includes what is paid for the use of buildings and improvements as well as what is paid for the use of the land on which they are located. The additional income, however, which an owner obtains on account of improvement on the land is not economic rent, but interest received for use of the capital which such improvements represent.

Hence in the case of improved real estate, the income which the owner gets from it, over and above interest on the value of the improvements and an allowance for renewals, insurance and repairs, is rent. Thus, suppose the improvements consist of a building worth ten thousand dollars and that interest on an investment of ten thousand dollars at the rate percent prevailing in the locality where the property is situated, together with the cost of keeping the building insured and renewed, amounts to a thousand dollars annually, and that the entire property, including the land, rents for two thousand dollars a year. There is thus a difference of about a thousand dollars between the interest on the ten thousand dollar improvement plus cost of insurance, repairs and renewals, and the total income of two thousand dollars received from the property. This

difference is what the owner gets for the use of the land alone, and it constitutes the rent of the land according to the meaning of the word as used in political economy. In this instance, a thousand dollars is annually paid for access to the land. With increase of population, the income from this property may reach four thousand dollars a year, without the expenditure upon it of any additional capital; if so, the price for the use of this land would rise from a thousand to three thousand dollars a year.

The following illustration shows what rent signifies when the land owner, the capitalist and the laborer are combined in the same person. Suppose potatoes are grown by two working farmers without assistance from other laborers, one of whom, Farmer Near, owns the land nearer the city, and the other, Farmer Far, owns the land farther away. Farmer Near raises and delivers 1,500 bushels, for which he receives $750. Farmer Far works just as hard, but being compelled to spend much of his time in hauling his potatoes nine miles farther to market, he only raises and delivers a thousand bushels, for which he receives but $500. Notwithstanding the difference in the incomes of these two farmers, one receives no higher wages in an economic sense than the other. Each, with respect to the potato-raising enterprise in which he is engaged, is a capitalist, a landlord and a laborer. Both have probably about the same amount of capital represented by buildings, tools and teams, but Farmer Near's interest as a landlord is much greater than Farmer Far's, his land being worth, perhaps, many times as much as that of Farmer Far's. The difference in the incomes is not a difference in wages, but results solely from

the fact that Farmer Far receives in effect $250 more rent per annum from his land than Farmer Far receives from his.

INTEREST is what is paid for the use of wealth.

WAGES is what is paid for service rendered by labor in producing or attempting to produce wealth. Interest is the share of the product going to capital; wages is the share going to labor. In an economic sense, wages includes profits, since the word profit in popular parlance means interest on a comparatively small capital plus the wages of an employer or highly skilled laborer. Thus, a man of more than ordinary ability, by the use of say, ten thousand dollars of capital in some wealth-producing enterprise, may secure an income of ten thousand dollars a year; but the principal factor which brings about such a result is not his capital of ten thousand dollars, but its combination with his mental effort, or, in other words, highly skilled labor, as heretofore referred to. Wages, in an economic sense, is what he receives over and above interest at the prevailing rate on the ten thousand dollars of capital. Say five hundred dollars a year be deducted for interest, then there would be left nine thousand five hundred dollars for wages, it being assumed that no part of the income is from rent or from the fruits of monopoly or special privileges, as will be hereafter explained. This sum of nine thousand five hundred dollars a year for wages may be excessive; if so, it must nevertheless be regarded simply as high wages paid for skilled service. The fact that such services may be overpaid, that the merchant, the broker or the manufacturer may receive as wages in payment for his services more of the wealth produced than he

would get under a less wasteful system of production and distribution, say, one founded in part on voluntary co-operation, does not require the creation of any additional term to fit the case.

Wages and profit, therefore, in an economic sense, are often synonymous terms, and because both represent the share of wealth which goes to labor, it is immaterial whether the portion which labor receives as its share is called wages or profit; the result, so far as the other portion which goes to land is concerned, is the same. Since labor covers every character of service instrumental in the production of wealth, wages is a term broad enough to include the entire product of any wealth-producing enterprise which does not go to capital as interest, or to land as rent, and the word rent is broad enough to include all which goes to land. To attempt to draw additional distinctions and subdivisions would only result in needless confusion of thought.

Wages includes not only the salary of the bank president and the per diem stipend of the hod carrier, but also all of any person's income from any wealth-producing enterprise followed by him, no matter how great such income may be, which is not attributable to rent and interest, and not within the exceptions hereafter referred to. By a wealth-producing enterprise, however, is meant one which actually increases the wealth of the world, and not one which merely draws to those interested in it wealth produced by others.

To summarize: Wealth is a tangible thing produced by human labor, which gratifies a human desire; land furnishes the material from which and the place on which wealth is produced; capital fur-

nishes the machinery and labor does the work; rent is the portion of the product which goes to land, interest the portion which goes to capital, and wages the portion which goes to labor. The portion of the product sometimes diverted by combinations in restraint of trade, and various forms of special privilege, comes within exceptions to the general rule. Such exceptions, while reducing the amount to be distributed, do not affect the ratio of the distributions among the factors of production.

CHAPTER III.

THE NATURE OF INTEREST.

THE causes which affect rent, interest and wages can be traced under the most simple as well as the most complex conditions of society. To illustrate this, let it be assumed that from the dawn of civilization, personal rights were safeguarded by custom and law, and that, under such conditions, the primitive man, naked and with no tool or implement, waded into the sea and dug clams with his unaided hands. Clams became wealth as soon as detached from land. Once in his hands, a clam was a tangible thing produced by human effort which gratified a human desire. It was wealth according to the economic definition of the word. Here labor was applied to land, but the factor of capital was missing. Wages absorbed the entire product, none of the clams being given to any landlord as rent nor to any capitalist as interest.

Let it be assumed that capital first appears in the form of a labor-saving device with which to move the sand which covers the clams, some one, after months of toil with sharply pointed stones, having made a wooden shovel, by means of which twice as many clams can be produced in a given time. After shovels have come into general use, there will still be people in the community, including the young just old enough to work and others too ignorant or too shiftless to make shovels for themselves, who will

nevertheless want to use them. One of this class naturally tries to borrow a shovel, and perhaps expects to get the use of it for nothing. The owner, however, thinking of the self-denial practiced in making the shovel, refuses to surrender the use of it without compensation; and justly so, since to give gratuitously the use of a thing confers as great a benefit as the giving the thing itself. He therefore demands for its use one-fourth of the clams gathered with it. The borrower, knowing that he can pay this and still have more clams as the net fruits of his labor than if he gathered them without using a shovel, agrees to these terms, and in doing so he in effect consents to the payment of this rate of interest. The product, the clams constituting the wealth produced, will now be divided between capital and labor. Capital gets one-fourth as interest, and labor the other three-fourths as wages, none of the product, however, going to land as rent. The arrangement is mutually beneficial. The tool maker is rewarded for his industry and self-denial, and stimulated to renewed activity in making shovels, while the laborer, by the aid of capital, makes higher wages than would be possible without it. This might not be the case, however, if land received a portion of the product as rent. But the landlord has not yet appeared.

Another industrious member of this primitive community builds for himself a house. Others who would like to live in houses like it are unwilling to practice the industry and economy involved in building them. This class, as also the juniors just becoming of adult age, will remain without the ownership of such houses after others in the community have supplied themselves with them. A house, like any

other kind of capital, is also a labor-saving device, and is useful in the production of wealth. It is located near a spring of water, and convenient to the sources from which food can be obtained, and thus saves the labor and time involved in seeking a distant cave or hollow tree for protection from the storms. The warmth and shelter and opportunity for rest and recuperation which it affords enables its occupant to work to greater advantage and produce more wealth, and thus make higher wages than would be possible without it. After the industrious and thrifty have supplied themselves with houses, why should one already owning his own house exert himself to obtain a surplus house which he cannot use and for which the homeless ones have nothing to give in exchange? What is the motive for further industry and self-denial on his part in the house producing line? Without a motive for exertion, and a strong one, too, he will cease to be industrious and frugal. It is absurd to suppose that he will continue to toil and sweat in the production of houses which cannot be sold, unless he is to receive compensation for his labor in some other way. To give one the free use of a house or shovel, or the free use of any other article of wealth, is equivalent to donating to another the product of one's own labor, and placing the idler and the spendthrift on an equal footing with the industrious and the capable. The owner of the surplus house, therefore, charges a price for the use of it. This price the non-owner gladly pays, if for no other reason than that the use of the house enables him to produce more wealth and retain a greater portion of it as wages, just as in the case of borrowing the shovel. What the owner of the house receives for its use is

interest on the capital invested in building it, nothing being received as rent, in the economic sense of the word, since nothing is received for the use of the land on which the house stands. This is because land as yet is free. It is still unlimited in quantity in proportion to population, there being no greater demand for one site than for another. Hence it seems to be as natural and as equitable to pay for the use of a thing as to pay for the thing itself, and this is what interest amounts to.

Again, suppose by some accident it is next discovered that aerolites can, by long and tedious grinding, be fashioned into axes, and that one man with the aid of such an ax can do the work of twenty men without it in making useful articles; also that on an average it takes a man three hundred days to make an ax. Will the possessor of an instrument of this kind, in the production of which so much patient industry has been expended, yield the use of it to another for nothing? Will he thus give him the benefit gratuitously of the three hundred days of labor which have been accumulated and stored in the ax, representing as it does months of weary toil, and the practice, perhaps, of the most rigid economy in living expenses? Assuredly not. Otherwise, altruism would mean making a slave of one's self for the benefit of the idle, the weak and the prodigal. But the altruist may still insist that the borrower, after having by partial payments returned wealth equivalent to the cost of the ax, should then become the owner of it absolutely, and that the seller in good conscience ought not in the meantime to charge interest on the price, or charge for the use of the ax. This means that the owner should receive no benefit or

premium for the initial industry and frugality practiced and privations perhaps suffered in compressing into the ax three hundred days of work. If law or custom prohibited the owner from charging interest and enjoying this premium, why should he not also wait for some one else to make an ax and then borrow it himself? Why should he, rather than another, submit to the sacrifice always involved in saving, a surplus from one's earnings over and above one's expenditures?

What this primitive community needed, and what all communities have always needed, is a constantly increasing supply of capital, without which no material progress can be made, since capital always takes the form of labor-saving appliances. Four-fifths or more of the wealth produced by any community is consumed for the necessities, comforts and luxuries of life as fast as produced;* the residue, most of which consists of buildings, machinery and material things coming within the definition of capital, is wholly the result of the ability and willingness of the few to live on less than their incomes. No one, rich or poor, can do this without exercising some degree of self-restraint and self-denial. Were it not for the hope of increasing one's income by means of interest, there would be little or no motive for practicing the economy necessary for the accumulation of capital. While the wants of mankind are insatiable, and man will cheerfully work for wages with which to procure things which can be immediately used or consumed in ministering to the necessities and pleasures of life,

*Carroll D. Wright, in Practical Sociology, estimates that the entire wealth of the world about equals its aggregate earnings for five years.

there must be a motive beyond this to induce the conservation of wages. Thus the accumulation of capital calls for more than industry. It calls for forethought and self-denial, and but for the payment of interest, it appears that the reward for the exercise of these virtues would to a great extent be lacking.

In a primitive community, if all were equally favored by fortune and equally endowed morally, mentally and physically; if all had precisely the same tastes and inclinations, and were alike in every particular; if no one had any advantage over another on account of the land which he occupied, then there would be no such thing as interest. All would produce and save alike; all would have the same amount of wealth, and no one would have occasion to buy from another on credit. While one man was storing his surplus wealth in an ax, another would be storing his in something equally desirable; if the latter borrowed the ax, he would have something equally valuable to loan the ax owner in exchange for it. But in such community, as in all communities, some are weak and some are strong; some idle, some industrious; some selfish, others generous; some are provident and others improvident. All have different tastes and inclinations, while there are ever arriving new generations possessed of no wealth or capital whatever, and who have had no opportunity of accumulating it. Hence, it seems equally clear that the payment of interest is founded on the diversity of human tastes and inclinations and the inherent differences in human capacities.

When one borrows a thousand dollars, he is really borrowing the things which he obtains in exchange for the money. This is evident from a clear under-

standing of what money really is, as already explained. When the borrower pays the debt, he is in effect returning the things borrowed. Thus, I wish to engage in business as a merchant. I need so many dozen pairs of shoes, so many bolts of cloth, so many sacks of flour, and quantities of other articles, constituting a stock, of general merchandise. I have neither the goods nor the money with which to purchase them. I borrow from a friend, however, a thousand dollars to be used in buying the goods which I need. This means that I have obtained from my friend what is equivalent to a warehouse receipt, calling for a thousand dollars' worth of any of the infinite variety of commodities stored in the great warehouse of the world's markets. When I borrow the thousand dollars, my friend in effect gives me an order for the goods which I need in my business. When I pay the debt with interest, I am in effect returning these same goods to him, with payment for the use of them, since I supply him with the means of obtaining them or other commodities of equal value from the same warehouse. Hence, in the complicated conditions of modern life, as well as at the very beginning of civilization, the payment of interest, according to the economic definition of the word, is simply the payment of something for the use of material things produced by labor; and there is no difference in character between the payment of interest on borrowed money and the payment of a stipulated sum for the use of a machine or building. In this connection, however, the distinction between interest and rent must ever be borne in mind, for when borrowed money is invested in land, whether improved or otherwise, the payment of interest on

such portion of the indebtedness as was incurred for the purchase of the land, exclusive of any improvements, means the payment of rent, because it is not paid for the use of anything produced by human labor, but is paid for the use of land.

The ax referred to was the product of three hundred days labor. This labor was not devoted to the production of things to be consumed, as comforts and luxuries of life, but to making a tool to assist in producing such things. While labor was employed in producing the ax, it received no wages. It might never receive wages for the work thus performed if unable to get pay for the use of the ax; in other words if unable to collect interest on the capital which the ax represents. Suppose the tool maker, after finishing the ax, was physically unable to use it, and that while there were many people in the community able and anxious to use the ax, none of them was able to buy it, since none of them had anything to give in exchange for it. It is clear that then labor would receive no wages for the toil expended on the ax unless permitted to receive interest for its use. Under such circumstances, when would labor begin to receive wages for work performed in making the ax? The answer is, just as soon as it began to receive something for the use of the ax, or in other words, as soon as it began to receive interest on the capital which the ax represented, and not before. Hence, in this instance at least, interest would be in effect wages paid for labor employed in making the ax; nor would the fact that the tool maker was capable of using the ax himself alter the situation and make the payment of interest for its use anything

more or less in reality than the payment of wages for labor performed in producing it.

And so it will be found in all cases, under modern as well as primitive conditions, interest on capital is in effect the deferred payment of wages to labor.* The capitalists may advance the laborer wage money as the work progresses, but on its completion, when the capitalist collects interest on the cost of the appliance, he is simply getting back the wage money which he advanced to the laborers who made it. And this is also the case even though the finished labor-saving appliances may be the product of a multitude of individual laborers who have been assisted by capital in producing it and who have been paid wages as the work progressed. If, in the case of the ax, what the ax owner got for its use was in effect wages, then what the owner of a steamship costing a million dollars gets for its use must in effect be wages also. True interest therefore in reality is wages paid for stored up labor.

A vast amount of interest is paid on indebtedness incurred, however, not for the use of capital, but for things in the nature of wealth intended for immediate consumption, such as articles consumed in war and in the preparation for war, and in living expenses, and for capital that has been lost or destroyed; and, most important of all, for indebtedness incurred for land and the use of land. It is obvious that interest paid on indebtedness of this kind as well as indebtedness incurred in the purchase of land, cannot be regarded as wages paid to labor,

*Of course this refers only to true interest, not to extortions sometimes due to law made monopoly of the medium of exchange.

since it is not paid for the use of appliances produced by labor which assist in the production of wealth.

The conclusion, therefore, is that interest is what is paid for the use of wealth employed as capital in the production of more wealth; that it is the reward for thrift and self-denial; that its payment is inevitable, owing to the inherent differences in the abilities and tastes of mankind; that it is but the deferred payment of wages to labor, and that its payment works no hardship upon labor, nor does it lessen the portion of the product which labor would otherwise receive, since but for its payment, there would be no incentive to provide labor with the use of labor-saving appliances. Interest, as thus explained, however, must be limited strictly to the economic definition of the word.

CHAPTER IV.

THE NATURE OF RENT.

THAT there exists to some extent a popular prejudice against the payment of interest, and apparently none at all against the payment of rent, is due to the fact that the distinction between land and wealth, and the difference between the payment of rent for land and the payment of interest for capital, is not fully understood. The difference is this: Economic rent is what labor pays for permission to produce wealth; interest is what it pays for the use of appliances which assist in the production of wealth. Rent is paid for the license to use the machine; interest is paid for the use of the machine itself. Hence it would seem to follow, since interest is but the deferred payment of wages, that if nothing were paid land for the privilege of use, all wealth, including that produced with the aid of the machinery, would go to labor as wages. In this connection, it is not meant that employees would get the entire product, but that the wages which they would receive together with the portion going as wages, to the employers, would include it all. In such event free competition would so regulate the division of the product that each would receive, approximately, the portion of the wealth which he produced. The difficulty is, however, that as soon as the factor of rent comes into play, competition, which fixes the price of everything connected with the industrial world,

and regulates interest and wages, is no longer free; for although any product of labor can be indefinitely increased according to the demand for it, an increased demand for land can only increase the price which capital and labor must pay for the privilege of using it.

The laws of supply and demand do not affect land and capital and labor in the same way; increased demand for anything produced by labor will increase the supply, and only temporarily affect the price, while an increased demand for land cannot increase the supply, but will permanently increase the price. Thus, an increased demand for axes will increase the number of axes produced, while competition among ax producers will soon reduce the price charged for axes, or for the use of axes, to the point where labor, applied to the production of axes, will be no more profitable than labor applied to the production of other articles; but since increased demand for land cannot increase the area of the earth, the effect of growth of population, which increases the demand, is simply to increase the portion of the wealth produced which goes to the owners of land.

In the primitive community referred to, rent made itself felt in the distribution of wealth as soon as one piece of land acquired a greater value than another. This must have happened at the very dawn of civilization, and with civilization came the private ownership of land. Wherever land has become valuable, a private owner for it has always been recognized by law and custom. The right of an individual to the untrammeled control of the tract of land to which he has acquired a title approved by the government having jurisdiction over it, has been admitted from time

immemorial. Investments in land have generally been made in good faith by all classes of people under an implied agreement that society would continue to protect private property in land in the future as in the past. For this reason it is sometimes insisted that good faith and good conscience demand that no legislation should be even contemplated which would abolish the privileges which the ownership of land confers—privileges in which all have the right to participate on payment of the price demanded. Nevertheless, no headway toward acquiring a knowledge of the fundamental truth on which the science of political economy is founded can be made, without a clear conception of the essential differences between property in land and property in the products of industry. In stating the facts, however, on which these differences are founded, no attack on vested rights is to be inferred, for political economy has nothing to do with vested rights or vested wrongs but all and only to do with truth. However injurious in some respects the system by which the bounties of nature have so far been regulated and controlled may be to an overwhelming majority of mankind, nevertheless it need not be assumed that such salutary changes as science may suggest cannot or will not be made without proper compensation to all whose wealth has been invested in land on the faith of the permanency of conditions now existing.

The title to an article constituting wealth can be traced to the maker of it, to the person or persons whose toil created it, to someone who clearly had a right to use and dispose as he saw fit of the thing which his own labor had produced, either by sale, or gift, or otherwise. Not so, however, as to land. No

one's title to land can be traced back to the creator of it, since land is not the product of labor. Take the chain of title to any tract of land and go back with it, step by step, to its beginning. It will be found to have originated in an agreement on the part of those who constituted the government at that time, to the effect that John Smith and his heirs and assigns should forever dictate the terms on which men of that and all succeeding generations should have the privilege of producing wealth on or from the particular tract of land thus granted the said John Smith. The agreement gave John Smith the right either to produce wealth on this land himself, or to say how much of the wealth produced on it by others should be given him for allowing its use for that purpose. Private ownership of land means that by virtue of a compact between the then existing government and some individual, made it may be centuries ago, the present-day owner of a tract of land has the power to prevent any and all men from using it for wealth-producing purposes, or for any other purposes, except on terms satisfactory to such owner, subject only to the right of eminent domain on the part of the State.

The nature of a title to land may be shown by the following illustration: The government of England, as embodied in William the Conqueror nine hundred years ago, might have given one of the courtiers of that day, as a reward for almost any kind of service, infamous or otherwise, a patent of nobility, and decreed that he and his eldest male lineal descendant, as the Earl of Enfield, should receive one-tenth of the income of every worker living on a definitely described tract of land known as Enfield, at that time

or at any time thereafter in all the ages to follow. This would not have been an unreasonable act of legislation for those times, and especially so since by its terms no one was compelled to live in the Parish of Enfield. As to whether or not the Parish of Enfield would have increased in population as rapidly as the surrounding parishes, would have depended on the terms on which the land owners of Enfield allowed wealth-producers, meaning workers of every class engaged in the actual production of wealth, to use land in Enfield for wealth-producing purposes. It would, of course, have been impossible for them to obtain as much for it as the owners of land in adjoining parishes received for land of the same quality; but by reducing rents, or reducing the price of land (and this they would have been compelled to do in order to receive any income from the land at all), the landlords of Enfield would have made that parish as desirable as any other place for wealth-producers to live in. Thus, since the aggregate amount of wealth paid by wealth-producers to land owners for the privilege of producing wealth amounts to probably more than ten per cent. of the total product, if the workers in the adjoining parishes were required to pay, say, the equivalent of fifteen per cent. or more of their incomes to landlords as rent, as would doubtless have been the case, then the landlords of Enfield, by charging rent equivalent to, say, only five per cent. of the wealth produced, would have placed the workers of Enfield on a parity with those in the adjoining parishes. The difference would have been that the fifteen per cent. of a worker's income paid for the privilege of living in Enfield would have been divided between the Earl of Enfield and the landlords

of Enfield, while the same percentage paid for the privilege of living in an adjoining parish would have gone to the landlords alone; hence it is evident that rent is the same as a tax on the incomes of wealth-producers, only it is paid to individuals instead of being paid to the government.

Recurring to the illustration, it will be assumed that a city with a population of several hundred thousand grew up within the confines of Enfield, and that today the aggregate income of its inhabitants is twenty million dollars a year, of which the eldest male lineal descendant of the Earl of Enfield is receiving ten per cent. or two million dollars annually. It would seem at first thought preposterous to assume that the law conveying to the original Earl and his successors one-tenth of the income of every person living in Enfield would not have been repealed long ago; or that a free people in an enlightened age would feel that it was just and proper for them to hand over to the present Earl one-tenth of their incomes simply because of the fiat of William the Conqueror made nine hundred years ago. But suppose their fathers and forefathers for a score or more of generations had submitted to the law and adapted themselves to it, and permitted the long succession of Earls of Enfield to collect this tribute and to rely in good faith on its being paid, and to live in a style of magnificence commensurate with this ever-increasing income, and thereby to become the embodiment of the highest examples of culture which wealth and lineage can bestow. Suppose, also, that, instead of Enfield being an exceptional case, the same percentage of the incomes of people living in other places, and in fact on all the other tracts of land

in the Kingdom, had also been allotted by William the Conqueror and his successors to various other persons and their descendants, together with permission to sell and assign the rights and privileges thus acquired, and to subdivide the territory to which the same applied. That thus a powerful minority of the people, embracing most of the wealth and social influence of the land, was interested, and had always been interested, in maintaining the laws on which these privileges were founded. In that case a very different situation would be presented. To repeal the law and cut off the privileges, in the purchase of which many people had invested a large portion of the savings of a lifetime; to suddenly reduce from luxury to but a competency, and in some instances to actual want, many of the best people in every community, would probably seem to most honest minds unjust, and nothing short of confiscation and robbery. In view especially of the fact that organized society had for hundreds of years permitted these privileges to be enjoyed and sold and disposed of without objection or protest, most people would be likely to insist on the adoption of some plan of compensation whereby the losses, for which society as a whole was responsible, should be apportioned among all. Be this as it may, the question of ethics suggested at this point is not one to be decided by the political economist.

The fact is, that while neither William the Conqueror nor any of his successors ever granted in express terms to the Earl of Enfield, or to any other person, the right to collect one-tenth or more of the incomes of all the people then living, and thereafter to live, on any specified tract of land, the same thing

was nevertheless accomplished in a much more effectual manner when the title to the tract of land was granted to the Earl of Enfield, "his heirs and assigns forever," as the legal phrase runs; and this is what private property in land means. It means nothing more nor less than that the owner, by virtue of a legal enactment, probably made by men long since dead and buried, has the right to collect a constantly increasing portion of the income of all who are allowed to employ themselves in the production of wealth on the land which his title embraces. That such collection may be made in advance when one buys and pays for the site on which his own home or farm or business establishment is located, instead of paying rent annually or otherwise for its use, does not change the character of the payment—it is in each instance, as in all other cases, the payment of tribute money, not for wealth nor for the use of wealth, but for the privilege of producing wealth—tribute paid not to the government but to individuals.

CHAPTER V.

EFFECT OF IMPROVEMENTS IN LABOR-SAVING MACHINERY AND PROGRESS GENERALLY ON RENT, INTEREST AND WAGES.

AN attempt will now be made to apply the factors of production and distribution, as heretofore defined and explained, to the solution of the economic problems referred to in the first chapter. Under the plan adopted for presenting the subject, objections which may arise in the mind of the reader to propositions when first announced and but briefly explained, will often be found anticipated and answered in subsequent pages.

Wealth can only be produced in a civilized community by the use of land and capital as well as by the expenditure of human labor. A portion of the product of every wealth-producing enterprise, in effect, goes to a land owner as rent, another portion to a capitalist as interest, and another portion to a laborer as wages. As a general rule all incomes, except those of the character presently referred to, are made up of rent, interest or wages singly or in combination with each other. Causes which increase rent, or the value of land (which is the same thing), without increasing wages and interest in a corresponding degree, result in increasing disproportionately the incomes of those whose wealth is principally derived from the rent of land or from increase in the value of land; causes which increase wages

without increasing in a corresponding degree rent and interest, result in putting a greater portion of wealth into the hands of those whose incomes are derived principally from wages, and so also as to causes affecting interest.

It is thus apparent that the natural law which controls the distribution of wealth must be found in the causes affecting, respectively, rent, interest and wages. The income of the mechanic owning the house in which he lives is made up of rent, interest and wages. Say that the building is worth a thousand dollars, the land on which it stands five hundred dollars, and that interest is 6 per cent. per annum. To arrive at his entire income there must be added to his wages of, say, six hundred dollars per year, 6 per cent. on the value of the land and 6 per cent. on the value of the improvements. His total income, therefore, is $690 per year, of which $60 is rent, $30 interest and $600 wages. As to a mechanic thus situated, a 10 per cent. increase in wages would be of greater benefit than a 10 per cent. increase in rents or in land values. Reflection will show that all incomes can thus be analyzed and portions of same traced to one or more of the factors of rent, interest and wages.

While it is true that much wealth in this country is acquired in connection with incomes which cannot be attributed wholly to rent, interest, or wages, still the aggregate amount of wealth thus appropriated, for which no equivalent is given in the furnishing of land, or capital, or in the giving of service, is small in comparison with the entire annual product, of probably twenty billions or more. The conditions under which wealth is thus diverted, however, are

not natural but exceptional and temporary, and are often attributable to an improper exercise of governmental powers. Among such exceptions are incomes in the nature of pensions from the government, incomes acquired by fraud, or theft, or by extortions forced by combinations in restraint of trade, or by speculations, or by means of special privileges, such as patent rights, and privileges founded on a tariff, or on discriminations in railroad rates. Uniform natural laws can no more control the manner of the acquisition of wealth thus obtained, though no doubt much of it is honestly acquired, than in the case of wealth stolen by highwaymen. But the fact that a portion of the product of any wealth-producing enterprise may be diverted under such exceptions can in no way affect the causes constantly in operation, which control the distribution of the remainder of it among the three factors of production, viz: Land, Capital and Labor. It is, therefore, neither necessary nor profitable, at this point, to consider at length exceptions of the character mentioned to the general rule that incomes are made up of rent, interest and wages.

Since in any wealth-producing enterprise, a man may be interested as a land owner, a capitalist and a laborer at the same time, and his income from it may be attributable in part to rent, in part to interest, and in part to wages, confusion of thought will arise unless the distinction between the land owner, the capitalist and the laborer, as such, is sharply drawn in the reader's mind. To discover the causes which effect the distribution of wealth the sources of incomes must be separately considered. It must also be remembered that the word "labor" includes all

effort, either mental or physical, put forth in the production of wealth; also, that the so-called profits of capital, not attributable to rent or interest, and not coming within the exception just referred to, are but the wages of employers. Such wages under present conditions may be excessive, but nevertheless all wealth acquired from service of this character comes within the true economic definition of wages. The portion of an employer's effort, however, expended on some scheme by which he seeks to acquire wealth produced by others, as, for instance, by organizing and carrying on a combination in restraint of trade, is not labor, nor are the fruits of such effort wages. Such labor is not expended in the production of wealth. It does not increase the world's store of wealth.

Bearing in mind the definitions of the terms used, and especially the distinction between land on the one hand and capital on the other hand, no difficulty will be experienced in determining the class to which goes the lion's share of the benefit, as between land owners, capitalists and laborers, resulting from improvements in labor-saving appliances and growth of population, and also from moral and material progress of every description. It is clear that if progress of the character referred to benefits land owners, it will be indicated by an increase in the value of land; if it benefits laborers, by an increase in wages, including the wages of employers, and if it benefits capitalists as such, it will be indicated by an increase in the rates of interest. We can thus determine, approximately, the effect of labor-saving appliances and material progress generally on rent, interest and wages; or, in other words, on land owners,

capitalists and laborers, respectively. If the direct effect in the long run is only to increase rent or the value of land, then land owners alone can be directly benefited by it. If it appears that most if not all the benefit goes to land, then little or none can go to labor; therefore, if improvements do not naturally and directly increase wages, then in the fact just stated, viz., the fact that the principal part of all the increased wealth produced by improvements goes in the long run to land, and is absorbed in the increase in the value of land, will be found the reason for the failure of wages to increase in the same proportion as the wealth-producing power of the wage-earner increases. If contemporaneously with improvements in labor-saving appliances, with growth of population and progress generally, we find an increase of rents, or an increase in the value of land, with no corresponding increase in wages, or in rates of interest, then it follows that the ultimate effect of such progress is to increase the value of land only, hence neither rising wages nor rising rates of interest can naturally result from it, no matter to what extent the wealth-producing capacity of laborers may be increased thereby.

The questions then to be answered in the first place are these: (1) Do improvements in labor-saving machinery, and material progress generally, naturally and inevitably increase interest? (2) Do they naturally and inevitably increase wages? (3) Do they naturally and inevitably increase rent or the value of land? The questions thus propounded will be answered in the order stated.

The popular impression, especially among those with socialistic tendencies, is that capital, as such, is

the chief recipient of the benefits arising from industrial progress. This impression exists because the points of difference between land and capital, and also between the ownership of capital and the use of capital by its owner, or by the borrower of it, are not clearly understood and appreciated. The obvious and indisputable fact, however, regardless of any theory about it, is, that increase in population and improvements in the arts and sciences, while accompanied by rising land values and increasing rents on one hand, are always followed by a fall in the rates of interest on the other hand. The first question must therefore be answered in the negative.

In sparsely settled and disorderly communities the world over, interest is high and rent is low; in other words, in such communities, comparatively large sums are paid for the use of capital or wealth, while comparatively small sums are paid for the use of land or for the purchase of land. With improvements in government and growth of population, this is always reversed, and the rate of interest falls, while the price of land rises. Thus, on Manhattan Island, two hundred and fifty years ago, interest was 15% per annum, and a lot suitable for business purposes could have been bought for $500, or the use of it obtained for a rental of $75 a year. To-day, in New York, interest has fallen to 4% per annum, but the same lot is worth a million dollars, and the use of it can not be had short of thirty thousand dollars a year. In London and in New York, where population is most dense, and the arts and sciences have reached the highest degree of perfection, land is high, but the rate of interest is low; while in

frontier towns and cities, interest is high and land is low.

The correctness of the answer given is also conclusively shown by the fact that while inventions have multiplied enormously, even within the memory of the present generation, nevertheless rates of interest are lower than ever before. And in the most highly civilized countries, where labor-saving improvements are most extensively used, interest is lower than in partially civilized ones where they are little used.

That growth of population and progress do not increase the value of building improvements, or interest on the capital represented by them, is obvious, yet confusion of thought on this point is sometimes manifested by confounding ground rent with the interest on the capital which the building represents. The total rent of a building, including the ground, may increase from ten thousand dollars to twenty thousand dollars a year, but it is not the building that has become valuable, nor is the increased income obtained from the use of the entire property attributable to increase in rates of interest. In fact, the building may have depreciated in value. It is the land, and the land alone, on which the building stands, which is more valuable. The increase in rent which the tenant pays is not for the use of the building, or any part of it, but for the use of land which has become more valuable. That such improvements do not increase in value from causes which increase the value of land, is apparent also from the fact that insurance companies never knowingly insure a building for more than it will cost to replace it.

Now as to the second question: Do improvements increase wages? It will be noted that the subject of inquiry is confined to the "natural and inevitable" effects upon wages of labor-saving improvements and progress generally, or, in other words, to the direct as distinguished from the indirect effects. Thus, contemporaneously with an enormous increase in the wealth-producing power of the employee, there may be a considerable increase in the purchasing power of his wages. Some classes especially, if not all classes of laborers, may be better off now than they were, for instance, fifty years ago, although this is denied by many who have investigated the matter; yet, nevertheless, if they are better off this may not be attributable to the direct effect of labor-saving inventions. Improvements in labor-saving machinery might, for instance, enormously increase the amount of wealth produced by slaves, but in such event, free competition and the law of supply and demand would not operate with irresistible force to compel masters to spend more in the better maintenance of slaves, or, in other words, to pay slaves higher wages. The increased ability of masters, however, to do so, coupled with kindly feelings and a disposition to make the slave less discontented with his lot, would doubtless bring about some slight improvement in his condition, not as the direct, but as the indirect effect of the increased amount of wealth produced by slaves. So, in the same way, the improvement, if any, in the condition of employees, may not be attributable to the natural and inevitable result of inventions under the operation of the law of supply and demand and free competition, but to combinations of workingmen, and to public senti-

ment which demands that laborers shall receive some benefit from inventions. It may also be attributable in part to a vague fear of revolution if wages were crowded to the lowest possible point; also in part to sympathy of many employers toward their employees, as well as to other like causes.

It will be found that labor-saving processes, as well as increase of population, under the laws of supply and demand and free competition, have the direct effect of enhancing the value of land and the price paid for the use of it; the question is, do these forces, in the same way, also directly increase the price paid for labor? This question cannot be answered in the affirmative by simply showing, if it can be shown, that wages are higher now than formerly. For wages might rise to some extent from causes already referred to, even though the unrestricted operation of the laws of supply and demand would cause them to fall with increase of population.

The question as to whether wages of employees are in fact rising or falling—as to whether they are relatively higher today than before the introduction of modern labor-saving appliances—is one about which much difference of opinion exists. The difficulty does not lie so much in ascertaining the amount in dollars, or shillings and pence, paid employees in former days, as in arriving at the purchasing power of money at that time. In this connection, it is instructive to take at random the views of those who have a personal experience of forty or fifty years to draw upon. It will be found that the man who has made a pecuniary success of life is more apt to think that wages are higher and are growing higher, than the less successful one who is still working in the ranks.

Those of the laboring class usually insist that wages are lower and that the struggle for existence is harder. This perhaps will be found to be the impression of a majority of all classes who are approached upon the subject.

Carroll D. Wright, in "Practical Sociology," estimates that hours of labor have been reduced 10% since 1860, and that the purchasing power of wages in 1902, measured by wholesale prices, was 80% higher than in 1860. On the other hand, Mr. Fairbanks, in an interview while a candidate for the Vice-Presidency, in referring to the way in which he managed to get through college, is reported as saying: "I received good wages by working on Saturdays at $1.50 a day, which was equal to about $3.00 now."

The wages of the agricultural and unskilled laborers of England are now less than one-half of what they were during the fifteenth century, nor are they any higher today than at the end of the thirteenth century. This is especially the case as regards the ability of the workingman to provide himself with the essentials of life, such as shelter, food, fuel and clothing. At the end of the fifteenth century, wages of employees generally in England were from three to four times higher than in the early part of the nineteenth century. And not only so, but from the middle of the fourteenth to the middle of the sixteenth century, eight hours constituted a full day's work.

Professor Thorold Rogers puts the result of twenty years of patient investigation of comparative wages in his "History of Agriculture and Prices." The sources of his information were old exchequer bills, the college records, the manor rolls, the farm ac-

counts, preserved often by accident in libraries and in public and private archives. He collected thousands and thousands of records of prices actually paid for different commodities, and he gives all the facts and figures showing the details by which his averages are arrived at. The accuracy of his findings of fact on all important matters has never been impugned, and he seems to be sustained by all authorities upon the subject.* He began his studies as an orthodox economist of the *laissez-faire* school, opposed to trade unions, and under the impression, evidently, that all social ills would cure themselves. He saw no necessity for the discovery of the cause of undesirable economic conditions, such as the enormous increase of private fortunes, and the fact that men willing to work are often unable to find work, and that multitudes of workers in a country like England are in a condition of chronic semi-starvation.

The following extracts are taken from his "Six Centuries of Work and Wages":

> "I have stated more than once that the fifteenth century and the first quarter of the sixteenth were the golden age of the English laborer, if we are to interpret the wages which he earned by the cost of the necessaries of life."—p. 326.
>
> "Relatively speaking, the working man of today is not so well off as he was in the fifteenth century."—p. 355.

In summing up at the close of "Work and Wages," he uses the following language:

> "I have shown that from the earliest recorded

*Leone Levi, F. S. S.—History of British Commerce.
G. R. Porter—Progress of the Nation.

annals, through nearly three centuries, the condition of the English laborer was that of plenty and hope; that from perfectly intelligible causes it sunk within a century to so low a level as to make the workmen practically helpless, and that the lowest point was reached just about the outbreak of the great war between King and Parliament. From this time it gradually improved, till in the first half of the eighteenth century, though still far below the level of the fifteenth it achieved comparatively plenty. Then it began to sink again, and the workmen experienced the direst misery during the great Continental war. Latterly, almost within our own memory and knowledge, it has experienced a slow and partial improvement."

It is evident that the percentage of increase or decrease in wages in America in the past fifty years, taking into account the purchasing power of the money earned, can be but trifling at most, or there would be no such differences of opinion about it; and it is apparent, especially in view of the result of the investigation made by Prof. Rogers and others, that so far, labor-saving inventions have failed to raise the wages of employees. In this connection, the fact is significant that the trades in which there appears to be the greatest increase in wages in England since the beginning of the last century, are those most strongly dominated by labor organizations. This tends to show that the rise in wages in England during the past seventy-five years is not the result of causes naturally flowing from the operation of the law of supply and demand on account of increased production brought about by modern labor-saving machines, but from combinations of working men. As shown by the authorities referred to, the darkest

days of the English laborer were from 1780 to 1830; since then there has been a slow but steady improvement in his condition, but during this period of improvement the great labor unions of England, now the most powerful in the world, steadily increased in strength and efficiency. Up to 1824, such organizations were illegal and were often sternly suppressed by law.

While there is some difference of opinion as to whether wages of employees on the whole are slightly higher or slightly lower, now than say fifty years ago, no one doubts the enormous increase of wealth produced by labor-saving inventions. Neither is there room for doubt that the average increase in the power of the employed laborer to produce wealth greatly exceeds the increase, if any, in the wages received by him; the only question being as to the ratio of such increase.

The laborer of today often produces more wealth in an hour than his grandfather did in a week, and instances in which the production is tenfold greater are almost innumerable. Six or eight men with a modern cotton gin will separate as much lint from the seed and bale it, as several thousand could in the same length of time before Whitney's invention; while improvements in spinning and weaving enable a single laborer now to do what was once the task of hundreds. Benjamin Franklin printed one hundred copies of his paper in an hour; today, one machine in an hour automatically prints, cuts, counts, pastes, and labels 100,000 copies, each of which is a hundred times greater than the sheet which Franklin published. With a planing machine, one man does the work of thirty planing by hand; and as to

numberless small articles like tacks, nails and screws, the product of one man's work exceeds that formerly produced by hundreds. A dozen men can make more flour, including the raising of the wheat, than a thousand can consume.

It is impossible, however, to ascertain with certainty the ratio of the increase in the wealth-producing effectiveness of labor. In a recent magazine article, it was gravely asserted that on an average the laborer of today produces fifty times as much wealth as the laborer of a hundred years ago, and it is not uncommon for the ratio to be estimated at ten to one; but such guesses are widely extravagant. The average farmer still milks his cows, makes butter, looks after his stock, cuts wood, hauls his produce to market, feeds chickens, gathers fruit and eggs, raises vegetables, builds fences, and does the great bulk of his work without the aid of other appliances than those in use when Benjamin Franklin was a boy. And this is largely true as to storekeepers, clerks, accountants, carpenters, masons and the building trades generally; and so also as to cooks, cabmen, waiters and housekeepers, and workers in scores of other lines of employment. The fact is that half, if not three-fourths, of the work of the world is still done with the tools in use hundreds of years ago.

The census returns show that the wealth of the country *per capita,* as already stated, has increased from $308 in 1850 to about $1,800 in 1914, a six-fold increase *per capita,* which can only be attributed to the effect of labor-saving improvements and processes.* If it be assumed that the aggregate sav-

*Although in the census, land is improperly classed as

ings of a community or nation increase in the same proportion as its aggregate increase of incomes, then the conclusion can be drawn from the figures mentioned above that improvements in labor-saving processes have, since 1850, increased the wealth-producing powers of labor six-fold, and this is doubtless approximately the fact. No one will contend, however, that there has been a six-fold increase in wages during the period referred to above. Hence from the facts bearing upon the subject, the theory that under existing conditions and under the operation of the law of supply and demand, labor-saving inventions do not directly increase wages, is amply sustained by experience. The second question is therefore answered in the negative.

That labor-saving inventions in themselves, as well as increase of population, directly increase the value of land and raise rent, is equally apparent. It will be found that the third question must be answered in the affirmative. To illustrate:

Electricity, the trolley line and the automobile have superseded the horse in the operation of street cars. Land miles away has been brought in point of time to the very centers of cities and thus greatly increased in value, and rents on such land have advanced accordingly. By the aid of barbed wire the cheap lands of the Southwest in the timberless districts have been fenced for a fraction of what it would otherwise have cost, and for this reason have been rendered more attractive to the homeseeker, and the price of the land has on this account increased. Improvements in pumping water in great

wealth, the ratio of the increase of wealth per capita is doubtless correctly shown.

quantities, and also in harvesting processes, were applied some years ago to the cultivation of rice on the sour, flat prairies of Southern Texas, and these lands, within two or three years, doubled and quadrupled in value. Improved highways, telephone, light, water and street car service, all combine to make the land in connection with which such advantages can be enjoyed, more desirable, and the fact of its being more desirable adds to its selling price, and increases the rent which must be paid for the privilege of using it.

So, also, good neighbors, good schools and good government make land more attractive and increase rents accordingly. In one of the Southern cities, the sale of intoxicating liquors was prohibited for a number of years. In commenting upon the results of the experiment, one of the local papers stated that much of the money which the working men of the town formerly threw away in saloons was being invested by them in building lots, and the great improvement in the local real estate market was attributable to prohibition. This would naturally be the case. The virtues of temperance and frugality cannot increase rates of interest or raise wages, but they can and do increase rent and the values of land for two reasons; first, because a community inhabited by people of sufficient intelligence, self-respect and firmness of character to practice such virtues is a desirable one in which to live and raise one's family, and, other things being equal, population will be attracted to it, and land values and rents will, as a consequence, be increased. Second, because the more wealth the people of a community save, over living expenses, the more they have to invest in land, as

well as in other things, and this will create a greater demand for land, and this demand will increase the price.

That not only increase of population but every thing which adds to the efficiency of labor and improves the conditions under which men live, simply adds in the long run and in the main, to the value of land and increases the income of those whose interests as land owners exceed their interest as laborers and capitalists, will be made more clearly apparent in subsequent pages.

The conclusion stated above, that land owners, and only a portion of them, appear on the whole and in the long run to be the beneficiaries of progress, may not be assented to except upon careful reflection, nor perhaps until the end of the discussion is reached. It may be claimed, for instance, that there are no indications of farmers, who are the most numerous of the land-owning class, receiving any great amount of the wealth resulting from improvements in labor-saving machinery. The portion of the wealth produced which land receives, however, depends not upon the amount or area of land, but upon its value, and most of the land in cultivation is of little value compared with that of urban lands and lands held for other than agricultural purposes. What is really claimed, however, is not that all wealth produced is divided among the factors entering into its production, but that as to the portion of it thus divided, the part going to land is increased by labor-saving machinery and progress of every character, while the portion going to capital and labor is not thus increased from the same cause, and that hence the land owner, and not the capitalist or the laborer, gets

the benefit of progress. Probably four-fifths of those engaged in agricultural pursuits have greater interests as capitalists and laborers than as land owners, and accordingly it is not to be expected that farmers as a class would be greatly benefited by causes which simply increase the value of land without increasing interest or wages.

Again, the fact that immense private fortunes have been accumulated during the present generation otherwise than from an increase in land values, may also be given as a reason for doubting the conclusion that land owners in the end get almost the entire benefit of material progress. These newly, enormously rich, however, who have appeared simultaneously with the recent wonderful improvements in labor-saving appliances, and whose incomes are only in small part, comparatively, made up of rent or interest or wages, belong to an exceptional class, enjoying incomes for which no equivalent in labor or the use of land or capital is given. To this class must be assigned those whose incomes constitute exceptions to the natural law which controls the distribution of wealth, and in the main arise from disobedience of it.

The ratio of the division of wealth between the factors of production, land, capital and labor, is not fixed, but is determined by the law of supply and demand. While the number of laborers and the amount of capital is constantly increasing as well as the productive capacity of the laborer, land remains a fixed quantity, and rent, or the value of land, increases because the supply of land cannot increase, hence the ratio of the division of the product is constantly changing in favor of land.

The further discussion of the subject, therefore, will be carried on upon the assumption that improvements in labor-saving processes and human progress generally, in the long run, increase the value of land, but do not naturally increase the wages or rates of interest. The truth of this assumption will be conclusively established, not only by reference to additional facts, but by showing that, in the very nature of things, under existing conditions, neither wages nor rates of interest can naturally advance, even though improvements were to be carried so far as finally to enable the laborer to produce in an hour what now requires the work of years. The assertion just made has reference to the natural effect on wages and interest of human progress generally. In the contingency mentioned, other factors of the character referred to by Mr. Ghent in his "Benevolent Feudalism," would doubtless bring about a comparatively insignificant increase in wages.

CHAPTER VI.

THE ALL IMPORTANT QUESTION.

WHY DO NOT IMPROVEMENTS IN LABOR-SAVING PROCESSES NATURALLY INCREASE WAGES?

IT having been shown that increase of population and improvements in morals, general intelligence and government, as well as in labor-saving processes, raise the value of land and increase the price which must be paid for the privilege of using it without increasing interest, or the wages of the great mass of laborers, in anything like the same proportion, if at all, the reason for this fact is next to be considered.

In the first place, wages do not naturally rise with the increasing wealth-producing power of the laborer, simply because there are not enough jobs to go around.

The assertion is often made that any laborer who really wants work can always get it, the inference being that it is only the indolent and inefficient who ever fail of having employment. It is doubtless true that the working man who, by greater faithfulness and efficiency, in effect gives more labor for the same wages, and in this way unconsciously underbids his fellows, is always reasonably sure of employment, even in times of depression; but it by no means follows that, if all working men were equally as faithful and efficient, all would be equally as sure of employment as the one who is now exceptionally so. Such improvements in faithfulness and efficiency

on the part of all laborers would simply increase the amount of wealth produced by them; but this is what labor-saving machinery accomplishes. Why, then, should increased efficiency resulting from a general improvement in the character of laborers do more? Both would result in an increase of the output; but we have seen that an increase in the amount of wealth which laborers produce does not necessarily result in an increase of wages, otherwise labor-saving machinery would raise wages.

In any event, however, whether much or little of the idleness on the part of laborers is voluntary or not, large numbers of them are always eager for the places of those who have steady employment. This is shown by the fact that whenever a strike occurs, some men are always ready to take the places of strikers, and many more are only deterred from doing so by moral or physical force exerted by labor organizations. It is also the universal testimony of the managers of business establishments and employment agencies, and of those who occasionally advertise for labor, that in all lines of employment, from the highest to the lowest, men are always anxious for jobs, either because they are wholly out of employment or but partially employed, or because they feel that they are underpaid in the positions held by them. The numerous newspaper accounts of men and women who commit suicide for want of employment indicate a real scarcity of jobs. Again, how is it otherwise possible to account for the apparent heartlessness of thousands of parents in this country who consign their own children, sometimes under ten years of age, to the monotonous and health-destroying slavery of mills, sweat-shops, chemical

works, coal breakers and match factories? And again, what other explanation can be given of the fact that railroad companies, even though fixing the age limit of new employees at forty-five years, and sometimes under, and subjecting them to severe physical examinations, never fail to have on hand long lists of applications for employment from men both competent and eligible?

Complaint of a scarcity of labor is sometimes heard, however, in this country, and in many quarters the Chinese exclusion act is deprecated. But investigation will invariably show that there is never any scarcity of applicants for positions which are permanent, when the wages are sufficient to enable the employee to live according to American standards. The American laborer naturally objects to being forced to submit to the competition of those of his own calling from the South of Europe. To accept employment for wages which would imply the lowering of the standard of living of his class would not increase the demand for labor. It would simply tend to lower the wages of all laborers. The self-respecting workingman, therefore, often rightfully refuses to accept employment at reduced wages until compelled to do so by absolute want; but this does not imply any scarcity of labor or an abundance of opportunities for employment.

The tramp is often thoughtlessly referred to in support of the claim that idleness on the part of laborers who are out of employment is not involuntary. But many who are classed as tramps will work when they can get work, otherwise why is it that tramps are so much more plentiful in periods of industrial depression than in prosperous times? The confirmed tramp

is usually a laborer who, by being compelled to travel and beg for work, has lost his self-respect. Prior to 1850, there was little complaint of a scarcity of jobs in the United States, and up to that time there were practically no tramps or beggars in this country.

Occasionally, as in harvest times, there may be a temporary scarcity of help in some localities, or laborers may be unwilling to work for the wages offered when the employment is but temporary. A slight increase in wages above the average, especially when permanency of employment is assured, will always fill to overflowing the labor market of the locality where such wages are paid, and render any further advance impossible. The law of supply and demand regulates prices paid for labor, just as it regulates prices paid for commodities, and as combinations of manufacturers may sustain or raise the prices of commodities, so combinations of workingmen may sustain or raise the prices of certain kinds of labor. But in neither case is there any escape from the pressure of the law of supply and demand, and, in most cases, it overcomes all resistance and forces the price of labor as well as the price of commodities to the minimum point.

The claim that at all times large numbers of workers in the United States are unwillingly idle is not a mere matter of opinion, since it is established from data collected by the census enumerators and shown in the census reports. And here again reference is made to the optimistic Carroll D. Wright, who states that on an average about 5% of the workers of the country are at all times unable to obtain employment.*

*"Practical Sociology," p. 243.

A moment's reflection will satisfy one that so long as 5%, or even 1%, of the workers in any line of employment are unemployed, wages in such line can never naturally advance, though they may be slightly lifted artificially by the fear of strikes and from other causes. Why should A pay B higher wages, when C stands ready to do the same work for the same or even lower wages? The one man in twenty out of employment and seeking employment is a constant menace to all the other nineteen who are employed. His offer to work for lower wages may result in lowering the wages of the other nineteen, even though he fail of getting employment himself.

A small minority of laborers, unable to get work or finding difficulty in obtaining it, must necessarily prevent wages from rising, even though the overwhelming majority are regularly employed. If there are jobs for only ninety-five laborers out of a hundred, the five unemployed are always ready to take the places of the employed, and the effect constantly of an unemployed or but partially employed five per cent., or even one per cent., anxious to get the places of some of the employed ninety-nine per cent., will inevitably prevent wages from naturally advancing, no matter what may be the increased amount of wealth produced. Nor would it make any difference whether the increase in production resulted from greater faithfulness and energy of wage-earners, or from improvements in labor-saving appliances operated by them. On the other hand, if there were always jobs for a hundred and five or even a hundred and one laborers, when there were only one hundred to be had, so that at all times men wanting work

could get it without difficulty, wages would always tend to rise.

It is clear that under present conditions wages cannot rise as the natural result of progress in labor-saving appliances, even though the wealth which the laborer produces should be increased thereby ten-fold, or, for that matter, a hundred or even a thousand-fold. It is equally true that there can be no increase in wages from natural causes until every man wanting work can readily get work, and that too without having to regard it as a favor to himself to be furnished with work. The solution of the problem of the unemployed, therefore, involves the study of conditions affecting the demand for labor, and this includes a consideration of the obstacles to the employment of capital and labor. It must logically follow, therefore, if there are artificial obstacles to such employment, then in the fact of the existence of such obstacles will be found a reason, if not *the* reason, for the lack of the full employment of labor.

The scarcity of jobs referred to is not attributable to improvements in labor-saving machinery.

To lessen the number of jobs means to lessen the demand for labor and lower wages; to increase the number of jobs means to increase the demand for labor and raise wages. Jobs, therefore, are most plentiful in proportion to population in countries in which wages are highest. It is a significant fact, also, that in such countries, fortunes are most rapidly accumulated, which tends to show that employers and business men as a class have nothing to gain from a lower scale of wages. In the United States, Canada, and the Australian Colonies, where land is still comparatively cheap, wages are higher than any-

where else in the world, yet in no other countries are labor-saving machines more extensively used. In fact, the world over, other things being equal, wages are highest in the countries using the greatest amount of labor-saving machinery, and lowest in countries using the least amount. Besides, the complaint of the unemployed in all the thickly settled countries of Europe was as loud and bitter before the introduction of modern labor-saving machinery as at present.

There is no reason in the nature of things, why labor-saving appliances should reduce wages. This is apparent from the following illustration: I have four dollars with which to buy a pair of shoes. By means of a labor-saving invention, one man becomes able to do the work of two in the making of shoes. The price of a pair of shoes, therefore, is reduced to two dollars, and many shoe-makers perhaps are forced to abandon the making of shoes. I pay two dollars for the shoes, but now I have two dollars left to spend for something else, which but for this invention would have been spent for the shoes, and in the buying of two dollars worth more of something else, I will have increased the demand for other kinds of labor to the same extent I would have increased the demand for the labor of shoemakers, had the two dollars been spent for shoes. While the adoption of labor-saving processes produces displacements of labor and hardships to individual laborers, no diminution in the ultimate demand for labor can result therefrom. It is thus evident, from theory as well as experience, that the scarcity of jobs cannot be attributed to labor-saving processes.

Nor is the scarcity of jobs caused by mere increase of population or by any real scarcity of land.

A moment's reflection must satisfy one that there is no real scarcity of land. More than half the dry land of the world, suitable for agricultural purposes, is as yet untouched by the hand of man, and immense areas of virgin soil of unsurpassed fertility are still to be found in nearly every country, and especially in South America, Africa, Siberia and Australia. The State of Texas alone could easily produce food and clothing for all the inhabitants of France, for it has a larger area and its soil is equally productive. It is estimated that less than two acres of land of average fertility, when cultivated with reasonable skill and diligence, is amply sufficient, with the least expenditure of labor, to produce in abundance the raw material necessary for the sustenance of a human being. Under an intensive and scientific system of agriculture, such as density of population would encourage, doubtless a single acre, or even half an acre, would be amply sufficient. In Japan the land in cultivation amounts to less than one acre to each inhabitant, and its entire cultivated area with its forty-five million people, is less than the area of Illinois. More than half the present population of the world could easily be sustained within the limits of the United States alone. More than one-fourth of the lands of Europe are unused. The uncultivated or but partially cultivated lands of thickly settled Great Britain, which are now held in comparative idleness, including the millions of acres devoted to private parks and used as game preserves, as well as the hundreds of thousands of acres of unused land in cities and towns and their suburbs, are capable of

producing with ease all the important food supplies imported into that kingdom. And the use of these lands for agricultural purposes is prevented only by the whim of owners and by the amount of the purchase price demanded. Modern means of transportation and facilities for exchanging the products of labor, make the unused lands of countries thousands of miles distant in effect a part of the unused lands of England, and the employment of additional laborers on such lands would enable the English working man to exchange his products for food produced by them.

In Greater New York there are tens of thousands of acres of land wholly unused, including more than one-third the area of the city, there being within the corporate limits of the city, on an average, twenty-seven people to the acre, although in the congested tenement districts the population may exceed a thousand to the acre. In the United States, four acres out of five are in fact unused or but partially used. When land is referred to as being but partially used, it is meant that it is not so used as to produce the greatest amount of wealth with the least expenditure of labor.

And so in all countries are to be found, on every hand, idle lands and unused coal beds and mineral deposits, from which profitable returns to capital and labor could be obtained but for the price required for the privilege of using them. Such lands are not held out of use because of any lack of fertility or on account of distance from markets; they are often to be found within and at the very gates of cities and towns, and in the midst of highly developed farming communities. So long as lands of this character re-

main unused, or but partially used, neither the theory of Malthus nor the law of diminishing returns can have any real or necessary application.

Suppose three acres on an average to be required for the comfortable maintenance of each human being under present methods of cultivation. In the United States, after deducting as waste land one-fourth of the area of the country, there would remain twenty-one acres per capita, or eighteen acres in excess of the necessary number. If the population were doubled, there would be an excess of fifteen acres, and if trebled, an excess of twelve acres, over and above the amount required for the support of the entire population, and so on. In point of fact, population in this country cannot begin to crowd the means of subsistence for centuries yet to come, even should it continue to increase in the future as rapidly as in the past. So far as actual experience is concerned, population has never become dense enough in any country to result in the full employment, or anything like the full employment, of the lands of such country. And idle men and women have died of starvation in thickly settled communities, in the midst of vast areas of unused or but partially used lands.

When the civilized world was appealed to a few years ago to assist millions who were starving in India on account of a failure of crops in certain sections of that country, contributions in money were wanted and not shiploads of wheat, as some mistaken philanthropists supposed. There was an abundance of food in India, and the wholesale price of it scarcely advanced at all. People starved, not because there was no food, but because they could

not get employment. The same was the case in Ireland when the potato crop failed in 1845. Food, with the exception of potatoes, was about as cheap as ever, and there was plenty of it on the island or within easy reach. All the starving populace wanted was employment. During that period of distress, in which tens of thousands were permitted to starve to death, the vessels which crossed to England were loaded down as usual with sheep, cattle, butter and eggs and the miscellaneous products of the farms, sold for shipment abroad to raise money due as rent to absent landlords.

It is not necessary to take up the time of the reader in a discussion of the Malthusian theory of increase in population. It is now discredited in all quarters. The fallacy, if not the absurdity of it, seems to have been admitted, tacitly or otherwise, by all economic writers since Henry George's masterly treatment of the subject in Progress and Poverty.

Every man comes into the world with two hands with which to work and supply his wants. If cast away upon an uninhabited but fertile island, he could make a generous living with no other capital than an ax, a hoe and a spade. In every civilized community the unemployed man can always find within a few minutes, or at most a few hours travel, an abundance of unused land on which, if he had free access to it, he could make a living more easily than the castaway referred to, yet he is often compelled to fold his arms and sit in idleness and suffer for want of food in the midst of unlimited unused natural opportunities for employment.

When men starve for want of work, it cannot be because of the niggardliness of nature. Must it not

be because of the mal-adjustment of the forces of government?

With an abundance of unused land, freely available to capital and labor, growth of population in itself would render the employment of labor more profitable, and increase rather than lessen the demand for labor. Take the case of land a few miles from the center of a thriving village. As population increases, macadamized roads, telephone and trolley car service, good schools and many other public utilities become available to the laborer employed in cultivating it. Better markets spring up close at hand, and this makes his labor more effective, and in numberless ways co-operation with nearby neighbors saves labor and increases the products of his industry. When the pioneer settles in the wilderness, he can make little more than a bare living, no matter how fertile the soil, for he must be his own jack of all trades. At every step he misses the help and assistance which comes from co-operation with others and the division of industry. When thousands have settled around him, then, in numberless instances, he saves energy formerly frittered away for small returns, and the efficiency of his labor is immensely increased.

Eighty years ago, a few hundred families of Mormons pushed out into the wilderness, crossed the Rocky Mountains, and settling on free land fifteen hundred miles beyond civilization, founded Salt Lake City. The capital which they carried with them did not average one hundred dollars to the family, and was represented only by teams and a few agricultural and household implements. Where but ten families would have failed, hundreds of families suc-

ceeded. Unaided by outsiders, they quickly brought an abundance of capital of their own into existence. They constructed roads and irrigation canals and ditches, and provided for other public utilities and diversified their industries. In the saving of labor resulting from co-operation of a large community is the explanation in great part of the prosperity and success which so speedily rewarded their efforts. It must be evident, on reflection at least, that so long as there was an abundance of unused lands in the very midst of the Mormon community, free of cost to the first comer who desired to use it, increase of population would tend to increase the demand for labor instead of lessening it, because of the inviting fields for the investment of capital in the employment of labor which these unused lands would afford, situated as they would be on good roads, in congenial neighborhoods, and served by irrigation ditches already constructed.

While free land may seem an idle dream, the effect of it must nevertheless be considered in order to ascertain the laws which control the distribution of wealth. Thus, given an abundance of raw material —of land, freely available—increase of population cannot lessen the demands for the product of labor, since as population increases, consumption also increases, and with increase of consumption will follow in the same ratio an increased demand for labor.

It seems, therefore, to be demonstrable that neither a real scarcity of land, nor the increase of population, nor improvements in labor-saving processes, can be assigned as the reason for involuntary idleness, and for the failure of wages to advance naturally in proportion to the increasing wealth-pro-

ducing efficiency of the laborer. As to whether capital increases as rapidly as necessary for the full employment of labor will be considered in subsequent chapters.

CHAPTER VII.

OBSTACLES TO EMPLOYMENT OF CAPITAL AND LABOR.

AGRICULTURE is the primary industry, and most important of all industries. About one-third of all laborers in the United States are engaged in producing wealth directly from the soil. It is the occupation in which the workman most easily learns to do the work required of him, and to which any laborer, whether skilled or otherwise, can quickly adapt himself. Under favorable conditions, it is attractive alike to the man with small means or large means, to the inexperienced as well as the experienced, and to the ignorant as well as the intelligent.

The wages of agricultural laborers furnishes the standard which gauges, to a large extent, the wages of all laborers. If wages on farms are high, wages in other lines of employment will be high also, since a demand for agricultural labor at high wages will retain labor upon farms and even attract it from cities and towns, and thus increase the demand for labor in other than agricultural pursuits.

In the settlement of new countries farmers come first, and after them follow mechanics and merchants. Farmers and miners must first be employed in the production of the raw material, before those who work in stores and factories can have employment. The business of the world, with all its ramifications and subdivided branches of production and distribution, is based primarily on labor applied di-

rectly to the soil. It is evident that anything which obstructs the access of capital and labor to land is an obstacle to employment, and it may be sufficient to account for much, if not for all, that is evil and wasteful in the present industrial system.

It is also evident that anything which interferes with the natural tendency of surplus capital and labor to use first the vacant land nearest centers of population, before going to more remote and less desirable land, is an obstacle to employment. Why should farmers, for instance, be forced into the wilderness, while on the outskirts of thriving cities and towns and in the midst of well-settled communities, there is an abundance of unused land—land on which the same amount of labor would produce wealth in far greater quantities?

In the suburbs of every city is to be found a zone of almost wholly unused lands, with a few buildings scattered over it. It includes the territory between the thickly settled portion of the town and the cultivated fields of the adjoining country. Its area is invariably many times greater than that of the city proper. As the city grows, this zone widens and encroaches more and more on the surrounding lands in cultivation. The price at which land is held within these zones prohibits its purchase for any agricultural use, and besides, the sale of it to speculators and investors, in small and isolated tracts, spoils its use for such purposes. Nor is it profitable to encumber these lands with leases which would protect the improvements of the tenant farmer, since the rent would be trifling in comparison with the value of the land. Town lots can generally be raised upon land of this character more profitably than vegetables.

Hence, such land is often subdivided into lots and blocks a generation or more in advance of any economic necessity for it. Not one acre in ten, often not one in twenty, between the constantly extending lines by which these zones are bounded, is used for any productive purpose; yet on no other lands in the country could so much agricultural wealth be produced with so little effort. The market would be at the farmer's door, and the fertilizing wastes of the city equally convenient. It has been found from actual investigation that five per cent. or more of the working men of any city in the United States could be profitably employed in the cultivation of these unused lands, if the natural availability of the lands for such use was alone to be considered.

The questions suggested in this connection are these: Why should the cultivation of the soil in the immediate vicinity of the thickly settled portion of every thriving town and city be so largely abandoned, ten or a dozen, or perhaps twenty-five or even fifty years, or more, in advance of any real demand for it for building sites? Why should not the cultivation of this, the most valuable of all lands for agricultural uses, continue until the very time when it is really needed and actually used for building purposes? Why must energy be wasted in transporting small fruits and vegetables scores and hundreds of miles while land in the very midst of consumers lies unused and uncultivated? And this suggests other questions: Why, in the building of cities and towns, are residences on the outskirts scattered over such wastes of unimproved lots, when convenience and economy, health and happiness would be better subserved by a compact and natural order of settlement?

In nine cases out of ten, the lot most desirable and valuable for a new residence, or a new business building, is the first unused or but partially used one to be found, counting from those already in use. Why should effort be frittered away in passing by such unused lots and building sidewalks, roads and sewers to those more remote and less conveniently situated? What natural and economic necessity is there for such waste of human energy?

It is not necessary for all, or even any, of the unemployed themselves to turn to the soil in order to relieve the crowded labor markets of cities and towns. If the cultivation of land now vacant were really profitable—and that it would be as to much of it near the centers of population, but for the enormous prices demanded for access to it, can admit of no doubt—laborers already having employment in other lines of business, including those with small means, would be attracted to the soil, and in many instances would quickly vacate positions in cities and towns, to the benefit of the unemployed remaining there.

The willingness of people in every trade and vocation in life to go to unused land, and live upon it and cultivate it when conditions render the cultivation of it profitable, is shown, to some extent at least, in recent years by the tens of thousands of applications made for homesteads when reservations in the Indian Territory were opened for settlement. The demand for these unused lands under laws requiring use and occupancy far exceeded the supply. While this demand was doubtless stimulated by the hope of deriving profit from mere increase in value of land, yet the settlement of the country would have

been little less rapid, had no other inducement been held out to landless families than escape from the payment of land rent or land purchase money.

This, then, is the situation: A few laborers are always out of work and ready to take the places of those who have work. So long as such conditions prevail, wages can never rise from natural causes, but must always tend to fall. The proportion of the unemployed to the employed in every industry is probably about the same, but even if this were otherwise it would be immaterial in view of the ease with which labor in any other industry can adapt itself to most of the work required in the cultivation of the soil. Many of the unemployed have left the country, either because of lack of employment, or on account of the small wages paid on farms, and are competing against laborers in other lines of employment in cities and towns. Some of these, as well as those in other lines, would gladly turn to agriculture, if assured of higher wages or better positions. Suppose six per cent. of laborers to be unemployed. Now if one-third of them, or but two per cent. of all laborers, went to work as farmers on unused lands, it is evident that they would raise food to exchange for things which the other two-thirds, at present unemployed, could produce. A demand being thus created for the product of the latter, their employment would also follow, and thus all idle men willing to work could get work without depriving of work any of those previously employed.

The world never suffers from over-production, but always from under-consumption. Millions, with but a single suit of clothing each, would gladly buy more garments if they had anything to give in exchange

for them. Mankind would consume more of the comforts and luxuries of life, if with unflagging toil the wherewithal with which to pay for them could be obtained. The idle shoemaker needs clothing, and the idle spinner needs shoes, and both need better houses, and the idle carpenter needs both clothes and shoes, and all need better food and more of it. The idle laborer who might be employed on the vacant land so near cities and towns, and in the cultivation of which the employing capitalist could afford to pay good wages, but for the enormous investment required for its purchase, also needs shoes, clothing and houses, and so it is in all vocations and callings. If the idle shoemaker had work, he could buy clothes; if the idle spinner had work, he could buy shoes; and if the idle carpenter had work, he could buy shoes and clothes; and the spinner and shoemaker could both live in better houses made by the carpenter, and all could eat better food and more of it, produced by the laborer working upon these vacant lands. Hence, if all who are idle could be thus fully employed, this employment would not lessen the demand for the labor of those who are already employed, and the manufacturer, merchant and all other business men engaged in legitimate wealth-producing enterprises would participate in the general activity and prosperity which would then ensue. Prosperous times always come with increase in the demand for labor, and this demand always produces higher wages for the laborer.

Nothing is more fallacious than the notion that the amount of work to be done in the world is necessarily a fixed quantity, and that the employment of one man robs another man somewhere of his job.

Unless the laborer is employed, he can consume but little wealth, for he has little or nothing to give in exchange for it. If he has work, he and the capitalist and the land owner, and sometimes others, among whom the product of his labor is divided, consume as much wealth produced by others as he produces himself. This is so because the wealth which he produces is exchanged for that produced by others, and the demand for labor resulting from this consumption of the product of other laborers exactly equals the supply of labor which his own employment affords.

The problem of the unemployed would seem to be solved, therefore, if only a small additional percentage of the entire laboring population could get work upon a very small percentage indeed of the unused land. Such lands, suitable for most profitable agricultural work, are to be found in quantities sufficient for this purpose, in large part at least, in and near the very suburbs of cities and towns, to say nothing of unused or but partially used farming lands in every farming community. When times are dull and the labor market is glutted, the small capitalist and the laborer must often look with longing eyes to the nearby unused or but partially used lands. What is it which prevents employment upon these lands?

It is obvious that there is some obstacle, artificial or otherwise, which always prevents the full employment of labor. It is also evident, as has been shown, that this obstacle is not labor-saving machinery, or increase of population, or any real scarcity of land; it is also evident that the removal of the obstacle, whatever it may be, would give increased opportunities for employment, from which would follow an

increased demand for labor with increased wages for the laborer and increased prosperity in every wealth-producing enterprise.

But it is sometimes seriously urged that the so-called high wages insisted on by laborers in this country is an obstacle to employment, and that if wages were lower the demand for labor would be greater. This simply means that if our workers would submit to the standard of living prevailing among the workers of the old world, and thus accept a smaller share of the wealth produced by the partnership of land, capital and labor, more of them would find employment. But why, in the nature of things, should giving the land owner or the capitalist more of the product increase the demand for the product itself? Without an increased demand for what labor produces there can be no increased demand for laborers. If the scale of wages were reduced the ability of laborers to consume would also be reduced, and this surely would not tend to increase the demand for things produced by laborers.

The notion that if wages were lower new enterprises would be started, which are now impossible on account of the prevailing rate of wages, originates from conditions of which the following is an illustration: A man is thinking of going into the sawmill business in a certain locality. He has no timber lands of his own. He finds that stumpage will cost him three dollars per thousand and common labor a dollar and seventy-five cents per day. On this basis he is unable to figure out satisfactory wages for himself after allowing interest on his capital, so he drops the matter. He tells some newspaper man that if he could have employed common labor at the

rate of, say, a dollar a day, he would have gone ahead with the business. The newspaper man at once jumps to the conclusion that the alleged high price of labor has blocked this enterprise, and he accordingly writes about the scarcity of labor, and advocates the repeal of the Chinese exclusion act. Had he inquired into the matter a little further, he would have learned that the mill man would gladly have paid a dollar and seventy-five cents a day for labor, provided the land owner had priced the stumpage at, say, $1.50 instead of $3.00 per thousand. The land owner held out for $3.00 per thousand, however, as land owners do everywhere, because he believed that, in a few years any way, he could get that for the land and perhaps more. He knew the land would increase in value, with increase of population.

Again, we read occasionally of some mine operator, perhaps, who would open up this or that coal bed or mineral deposit, if he could get cheaper labor. In the first place, there is no economic necessity for using such coal beds or mineral deposits, there being plenty of better quality or nearer at hand which are unused, and from which more wealth could be obtained with less expenditure of labor. And so it will be found in every case where the high price of labor is mentioned as an obstacle to the development of the country, that it is the high price of land which either directly or indirectly blocks the enterprise, and not the price of labor. In other words, the real obstacle is the excessive amount of tribute money demanded for the mere privilege of employment.

The fact is, the less the employee gets, the more the land owner, and not the employer as such, will

get in the long run. If employees consented to live on starvation wages, in the hope of always being able to find employment at some wage, they would be bitterly disappointed. A general reduction in wages could not result in any general increase in the demand for labor. If it had the effect, in the first instance, of making it profitable to work certain coal beds and mineral deposits and lands, which would otherwise remain unused, there would follow an increased demand for such lands. This would increase the price to be paid for access to them, and the demand for labor would be the same as before, no matter how low wages might fall. The owners of valuable lands would alone, ultimately, be benefited by a reduction in the scale of wages. This benefit would come to them in the form of increased rents, or in the form of increase in the value of lands. Nor would more than a few, comparatively, of those who own land be thus benefited, since the overwhelming majority of land owners in this country have greater interests as capitalists and laborers than as land owners.

The conclusion that lowering wages would neither increase the wealth of the country at large nor the demand for labor, is supported by fact as well as by theory. Thus, in the United States, the per capita of wealth of the nation is increasing faster than in any other of the great nations of the world. Times are usually better and the demand for labor is greater here than elsewhere, yet wages are higher, and there are fewer unemployed in proportion to population, than in Europe. Since low wages in Europe do not increase the demand for labor, why should it be supposed that lowering the scale of

wages here would have that effect? The rise of the mercury in the thermometer does not produce hot weather, neither does the fall of it produce cold weather; it simply indicates the condition of the weather. In the same way, high wages do not produce dull times, nor do low wages produce good times, but when times are good, wages rise, and when times are bad, wages fall. The scale of wages, as it rises and falls, simply indicates whether times are comparatively prosperous or otherwise.

A number of apparently different obstacles to the employment of capital and labor can be easily pointed out, all of which, however, are fundamentally the same.

It is apparent that until the factor of rent appeared in the primitive community referred to, wages would increase with every invention which increased the laborer's power to produce wealth. For illustration, let it be assumed that considerable progress was made in the arts and sciences before land acquired any value. With no opportunity to derive an income from land, or to obtain gain by buying and selling it, which gain is the same as rent, the owner of wealth, in order to obtain any increase from it at all, would have been compelled to use it as capital, or loan it to one who would use it as such in the form of labor-saving appliances. In the construction and operation of such appliances labor would be employed. There would be little or no opportunity for the profitable investment of wealth except in some enterprise giving employment to labor, because wealth could not be invested in the purchase of land. The illimitable resources of the earth being absolutely free to all, it is obvious that

competition among capitalists for laborers would enable labor to command and receive in increased wages a far greater portion of the additional wealth produced by improved appliances, to say the least of it, than if wealth could be profitably invested without employing labor. Applying the line of thought thus suggested to conditions as they really exist, it will be seen that in any event one of the reasons why wages do not increase with increased production is because wealth can be profitably invested in land—because it can be invested otherwise than in the employment of labor.

In any prosperous country, a certain amount of wealth is annually accumulated and saved, which must seek investment in some form. Generally speaking, there are but two ways in the main by which the owner of such surplus wealth can invest it so as to derive a permanent income from it. One way is to invest it directly or indirectly as capital in a wealth-producing enterprise which requires the employment of labor and increases the demand for labor. This is done where the owner of wealth or the bank which has it on deposit uses it or loans it to one who uses it in farming, merchandising, mining, or manufacturing. The other way is to invest it in land. The investment in land does not need the assistance of labor or require the payment of wages, nor does it compel owners of wealth to bid against each other for labor. Wealth may be thus invested and large gains realized from it without its owners paying out one dollar in wages or contributing in the slightest degree to the success of any wealth-producing enterprise. It is also a safe form of investment, and one attended with little hazard and no

annoyance from walking delegates and strikers, while every improvement in the arts and sciences and in social relations, as well as increase of population, adds to its value. And so, as this surplus wealth accumulates and is saved for permanent investment purposes, instead of all of it being used in the employment of the additional number of laborers annually needing employment with increase of population, only a portion of it is used for this purpose. With the remainder, land is purchased for investment and speculative purposes only, and not for the employment of labor. In fact, land is often purchased for the avowed purpose of preventing capital and labor from being employed upon it until enormous sums can be exacted for this privilege.

The fact that wealth can be used in the purchase of land not only affords an opportunity for its investment without giving employment to labor, but it often gives land an unreal and fictitious value. This, also, constitutes an obstacle to the employment of labor. The unused natural opportunity, be it a vacant building or manufacturing site, or vacant land suitable for a farm, or an unused coal bed or mineral deposit, is usually held at a price in excess of its present value for any productive purpose. It is so held in anticipation of an increase in value from increase of population and general social improvement. The owner of the land and the employing capitalist who wants it for some useful enterprise, may not agree with each other upon this uncertain and speculative value. The land may or may not increase in value as rapidly as the owners believe it will. Capital, under such circumstances, doubts and halts, and the land often continues to lie idle

and unused on this account. It may be so situated in itself, without reference to its price, as to insure far greater returns to capital and labor than could be obtained from other lands perhaps equally as suitable for the purpose intended, but which are more remote from markets and centers of population. The fact that one hundred dollars per acre, for instance, is sometimes asked for unused land, the economic value of which does not exceed fifty dollars, because the sanguine owner thinks it will be worth one hundred and fifty dollars within ten years, discourages the investment of capital and the employment of labor in its cultivation. It has this effect, not only because it requires so much more wealth to get hold of the land, but because there is always more or less doubt whether it will actually increase in value fast enough to make the entire investment a paying one.

Again, wealth in immense quantities is invested in land, and especially in unused land, for speculative purposes only. This is also one of the greatest obstacles to the employment of labor. A man with money to invest goes into a new country, or to the suburbs of cities and towns, and buys vacant land in advance of the homeseeker, not to produce wealth on it himself, but in reality to prevent others from doing so. The land is thus held in idleness until the necessities of capitalists and laborers compel the payment to the speculator of a profit as a reward for the latter's forethought in first seizing the opportunity for employment which the land affords. The speculator must usually be paid a sum not only equal to the economic value of the land, regardless of what it may have cost him, but also all in addition which anyone,

who is willing to gamble in the bounties of nature, may believe it to be worth from a speculative point of view.

The disposition, so widely prevalent among all classes, to gamble in land gives it an abnormal fictitious value. The price of unused land is often so high as absolutely to prohibit its purchase for use in any wealth-producing enterprise. This is the most important if not the sole cause of the phenomenon known as a financial panic.

A financial panic occurs, as follows: When, after a period of dull times, one of comparative prosperity arises, and many people begin to "save money," much of the wealth which thus accumulates is naturally invested in land. It goes into city and town lots, and farming lands, and into stocks and securities based in large part on the ownership of land, including the ownership of mineral deposits, and the right-of-ways and immensely valuable terminals of railroads, and privileges enjoyed by public utility companies. Stocks based on land begin once more to slowly increase in price, as more and more wealth accumulates to be invested in something from which ultimate gain or a permanent revenue can be derived. Soon prices begin to advance more rapidly. This renders such investments attractive from a speculative and gambling point of view, and prices advance with greater and greater rapidity. This stimulates further investment, and prices advance still more rapidly, and go still higher and higher. After awhile a speculative craze takes hold of many people, and the prices often reach the point at which it is impossible for employers to reap any reward in connection with new enterprises upon vacant

lands, after payment of prevailing rates of interest on the amount required in purchasing them. It is invariably the case, just before the "boom" bursts and the panic begins, that the natural opportunities for employment, such as the vacant farming lands referred to as held at one hundred and fifty dollars per acre, the unused factory sites, mineral deposits and water fronts, the idle business and residence lots, all become so dear, and so much wealth is demanded for the mere privilege of using them, that capital sees no profit in giving employment to labor in connection with them. Meantime the laboring population is naturally increasing. Surplus labor resulting from such increase can only obtain work in connection with these unused lands, which are held at prohibitive prices. And rents also advance in sympathy with the increase in land values. The householder and business man are required to pay more and more to the landlord, and the longer the "boom" lasts, the higher and higher is the amount of tribute which the land owner demands. Finally when the burden upon wealth-producing enterprises can be borne no longer, when prices charged for wealth-producing opportunities have been so inflated that future valuations can be no longer discounted even in the mind of the most credulous and optimistic of speculators, the crash comes. It usually comes suddenly, but it may come gradually. Its coming under existing conditions is as inevitable after a period of prosperity as the coming of winter after summer.

Prosperity means the accumulation of surplus wealth, and as such wealth accumulates much of it is invested in land. This stimulates the demand for land and brings about an advancing real estate mar-

ket, and this causes a greater eagerness to own land and reap the benefit of advancing prices. This of itself produces higher prices for lands and stocks and bonds based on land values, and this is followed by even greater anxiety to buy. And so, after every period of depression, the boom gradually begins over again, and rises and continues to rise higher and higher until the inevitable collapse is followed by dull times and a decline in prices, to be followed after awhile again by prosperous times, *from which prosperity itself is developed the force which chokes it.* The panics of 1837, 1857, 1873, 1893 and 1907 were all preceded by great real estate booms, and followed by a marked decline in land values. Nor can any period of prosperity be continuous so long as conditions exist which often make it more profitable to invest wealth in the mere purchase of the opportunities for the employment of labor which land affords than to invest it in the employment of labor itself.

The same obstacles to employment which tend to lessen the demand for labor, also, in numerous ways, compel capital and labor to work to a disadvantage, and consequently less wealth is produced from the amount of labor expended than would otherwise be the case. For instance, a tenant farmer of Illinois, after years of economy, becomes a capitalist as well as a laborer. Being thus the owner of a small sum of money, a team and a few agricultural implements, he puts his wife and children and the remnant of his scanty furniture into his wagon and starts out to find unused land on which his capital and labor can be profitably employed. There is plenty of unused or but partially used land in the very neighborhood which he is about to leave. On this land, owing to

its proximity to good markets, as well as the fertility of the soil, he could produce far more wealth with the same amount of labor than on any of the land which he is seeking, but the price of it as to him is prohibitive. After a weary journey of many weeks, during which he passes millions of unused acres, he reaches a thriving town on a railroad in Texas. It has schools and churches and in its neighborhood are fairly good highways. It is the market place for the surrounding territory. On the very skirts of this town lie plenty of unused and fertile lands. Why does he not settle on some of this land, close to town, where his family can have the benefit of schools and social advantages, and where his crops, when raised, will be near a railroad shipping point? Simply because the price charged for it is also prohibitive, so far as he is concerned. So he drives on twenty miles further and settles in a wilderness, remote from neighbors and schools and churches, where the highways are little more than trails through the woods and over the prairies. He contracts for a hundred acres of land, at ten dollars per acre. He needs the use of every dollar of his little hoard as capital with which to provide a rude shelter and food for the first year, and so he goes in debt as deeply as possible for his land. This compels him to apply the money which he saves to the purchase price of land, rather than to the purchase of live stock and agricultural machinery which would enable him to produce wealth with greater ease and in greater quantities. He and his family begin single-handed what is always a lonesome and sometimes a terrific struggle with unsubdued nature. A trip to market with a few eggs or a little butter, or a few

dollars worth of vegetables, means the loss of two days for himself and team, no matter how little there may be to be carried either way. And so almost as much energy is wasted in getting his crops to market as is spent in raising them. As he hauls them over the poor roads, he passes thousands of unused acres nearer the market, and perhaps of greater fertility, on which his labor would be productive of far more wealth, not alone to his advantage, but to the advantage of the entire business world. And so this farmer may work all his life to an unnecessary disadvantage, as millions of other farmers in greater or less degree are doing in this country at the present time. And this must always be so while unused land can be found on which an equal expenditure of capital and labor will produce more wealth than on land in use.

The enormous waste of labor and energy seen in the case of some farmers being driven into the wilderness, in nearly all farmers being deprived in great degree of the benefits of social life, and compelled to contend with poor highways in hauling crops over unnecessary distances, amounting as it does, in this country, to hundreds of millions of dollars annually, would be saved if all the unused land nearest centers of population were first put into cultivation. Yet this is but part of the story. The economic loss resulting from the same cause is equally great if not greater in other lines of industry, and especially with the housing of workers of all classes in cities and towns.

We eagerly seize upon every mechanical device for saving labor. Trusts and immense aggregations of capital are organized largely for this purpose.

Human ingenuity is taxed to the utmost to invent processes by which the greatest amount of wealth can be produced with the least expenditure of labor. But while on every hand the waste resulting from the misuse of land, and the poverty, discomfort and misery which this occasions is so obvious, we pass the subject by without thought or comment, as though such things were in harmony with the natural law and required no explanation.

We laugh at the stupidity of the ant, which, on finding a post standing in its path, carries its burden up one side of it and down the other, instead of easily going around it; yet man's way of using the earth in many instances would not appear less absurd to a visitor from a world in which obedience to the natural law prevailed. Suppose such a being to drop suddenly into the tenement district on the East Side, in New York City. He would find people huddled together like beasts in a stock yard; families with children, of all ages and sexes, sometimes occupying a single room. And thus, without privacy, comfort or decency, babes are born and human beings sicken and die. In some instances he would find a thousand men, women and children living, or trying to live, in six and seven story houses, covering scarcely an acre of ground. After he had experienced the noise and confusion, and stench and dirt, and the intolerable discomfort of it, for a day and a night, he would certainly come to the conclusion that this was a much crowded world, and that land was very scarce. Imagine, then, his astonishment on ascertaining that there were thousands of acres of unused land, and nearly two hundred thousand unused building lots, within the limits of Greater New York; that the pop-

ulation of the city averaged but twenty-seven to the acre; that much of this unused land, owing to modern transportation facilities, was already in effect but a few minutes walk from the shops and factories in which the bread-winners of the city were employed, and that it was easily within the power of man to bring it all within the same distance.

Imagine his surprise, again, on visiting a suburb of the city, to see the exact reverse of what amazed him so in the tenement district, for here he would find people living too far apart, instead of too near together. Instead of the lawns and gardens, which surrounded many of the houses, adjoining each other, and instead of all the improved places being within as convenient distances as possible from the near-by railroad station, there would be wide and ugly gaps of unimproved lands intervening everywhere, with signs of "For Sale." For every lot improved within the square mile or so tributary to a railway station, he would find perhaps ten or twenty unimproved. He would find the houses and homes so scattered over wide areas that paved streets and sidewalks, and sewerage and water, and electric service for all of them, would require the expenditure of ten times as much labor as would be necessary but for the intervening spaces of unused lots, so often adorned with dead cats and tin cans.

And not only in this suburb of New York, but in the vicinity of every city, town and village, he would find the same condition. In the aggregate, there are tens of millions of people in this country thus needlessly living on muddy streets, with poor sidewalks, or no sidewalks at all. They are compelled to fill out daily labors with unnecessarily long journeys to and

from homes and places of business, passing on the way dreary wastes of unused lots. Millions are thus deprived of numberless social advantages which add immensely to the comfort and happiness of life and to the efficiency of wealth producers, although there is no real economic necessity for it.

Again, this celestial visitor would often find land in which a coal bed or mineral deposit, for instance, was so near the surface, or so near tide water, or of so rich a quality, that a minimum of labor would produce a maximum of wealth, unused and just as the savages left it; while in the same vicinity men would pass it by and apply effort to the production of coal and ore from lands requiring twice as much labor to produce the same results. And so, on every side, he would see men unnecessarily increasing their burdens and displaying as little intelligence, apparently, in the use of the land, as the ant exercised in climbing over the obstacle instead of going around it.*

*A lot of hogs breaking into a field of corn will quarrel over it, scatter the corn about, trample it into the mud, and for every bushel eaten will destroy ten. Put before them in this manner food enough for a year, and it will not last a month. In the same way, under existing conditions, when men discover an extraordinarily rich deposit of some bounty of nature, they will often act like hogs, and waste and destroy it as foolishly and as recklessly. Thus, in 1901, the first paying oil well in Southern Texas was brought in on Spindle Top, near Beaumont. The oil and gas spouted far above the top of the derrick, and the well flowed pure oil at the rate of a hundred thousand barrels a day. There was no immediate market for this immense production, and no facilities were ready for storing and transporting it. Nevertheless, another well was at once started near by, and it proved to be as productive as the first one. Human beings then, manifesting the disposition of hogs, and displaying as little intelligence in conserving and making this oil and the gas found with it useful to mankind, proceeded to waste and destroy it as hogs would waste and destroy a field of corn.

The land was divided into small tracts, and subdivided again and again into still smaller ones, the subdivisions, in many instances, not exceeding a thirty-second part of an acre; it was sold and resold, some of it being finally sold at the rate of a hundred thousand dollars per acre. In less than two years six hundred and fifty oil wells were put down within an area of about eighty acres, each well with its equipments costing from four to ten thousand dollars, and many of them were less than thirty feet from other wells. The waste oil was drained away in ditches and burned on the open prairie at the rate of 10,000 barrels a day. It was not worth pumping into the storage tanks, all of which being connected directly with the gushers were filled to overflowing. Millions of barrels of oil were sold for five cents a barrel and less. The oil field in the distance resembled a closely wooded forest, so thick were the derricks, and when one derrick caught fire and burned hundreds of others burned also. The field was time and time again devastated by fires which swept away hundreds of thousands of dollars worth of property. One or two wells to the acre would have been amply sufficient to have obtained all the oil in the grounds covered by the eighty acres; hence the reservoir below holding the gas which forced the oil up was needlessly pierced in more than six hundred places by more than six hundred needless wells. This caused the dissipation and loss of an immense store of gas. Had this gas been properly cared for and left in the ground until needed, it not only would have brought the oil to the surface for many years as fast as it could have been profitably consumed, but the gas would have afforded fuel and light of the value of perhaps millions of dollars to the neighboring city of Beaumont. The wells soon ceased to flow, and expensive pumping plants had to be installed. Then salt water appeared in the place of oil, and the production of the original field fell, within four years, to less than 5,000 barrels a day.

Over ten millions of dollars were wasted in extracting less than fifty million barrels of oil from Spindle Top.

CHAPTER VIII.

EFFECT OF A REAL SCARCITY OF LAND ON RENT, INTEREST AND WAGES.

IT being evident, as shown in the preceding chapters, that low wages and lack of employment can not be attributed to labor-saving machinery, nor to mere increase of population, nor to any real scarcity of land, it will be both interesting and profitable to consider what effect a scarcity of land, if it in fact existed, would have on rent, interest and wages.

Imagine the world to consist of an island which had gradually attained a population of one hundred millions, under conditions similar to those which prevail in the real world; also that this island was capable of furnishing food in abundance for only one hundred million inhabitants.

At first, while there was plenty of unused land on the island, both employers and employees would be largely independent of land owners. If there were only ten millions of people, there would be more land on which food could be produced at a minimum expenditure of capital and labor than there would be laborers to cultivate it, and fewer employing capitalists and laborers in proportion to the amount of land would bid against each other for the privilege of using it. This would be the case, of course, not only as to agricultural lands and laborers, but also as to all lands and all laborers. Hence, it would seem that both wages and interest would then be higher than

after population had become more dense, and competition among those wanting the use of land more intense.

When the population of the island was ten millions there would be only one-tenth as many employing capitalists bidding for the use of land, and only one-tenth as many laborers seeking employment on it, as when the population had increased to one hundred millions. As population increased, the demand for land would increase in proportion, and competition between capitalists and capitalists, and between laborers and laborers, for land on which to produce wealth, would become sharper and sharper. Therefore, a constant increase in the value of land and in the price to be paid for the use of it would necessarily follow. The employing capitalist would be compelled to give up more and more of the profits of his enterprise to the land owner in order to compete successfully with other employers in bidding for the privilege of using land; this would tend to reduce interest. The employee would also be compelled to accept employment at lower and lower wages. It would seem, therefore, that the more unused land on the island in proportion to population, the cheaper the land would be, and the higher interest and wages.

Experience as well as theory proves that this would be the case. Thus, when "Uncle Sam" had a fertile farm, conveniently at hand, of one hundred sixty acres free of price, for every man who would settle upon and improve it, land in this country was cheap, interest was high, and wages were higher than anywhere else in the world. Labor unions and strikes were then almost unknown in America, al-

though common at that time in England. As the country become more thickly settled, however, land became dearer, interest fell, and wages tended to fall; then came organized labor, strikes, lockouts and boycotts.

The fact that cheap land and high wages go hand in hand is a matter of common knowledge and observation. In 1901, the Merchants' Association of New York sent a committee to Texas to examine its resources and economic conditions, and ascertain, among other things, whether cotton mills could be profitably operated in that State or not. The report was unfavorable, for the reason, as stated, that the immense bodies of cheap and fertile land which were accessible to labor in Texas would attract the mill operatives to the more profitable employment which agricultural pursuits afforded under such circumstances. It was also stated, as a matter of course, that with increase of population and increase in the value of lands, conditions would change; wages would fall, and doubtless mills could then be operated with profit.

It is interesting to note, in this connection, that Charles Dickens, writing of his visit to this country in 1842, in "American Notes," states that during his entire trip he never saw a beggar. The incidental references made by him to the working people of the Northern States indicate at that time a comparatively ideal relationship between employer and employee. So, also, the speeches in Congress of Henry Clay and others during the first half of the last century, in advocacy of a protective tariff, show a comparatively prosperous and satisfactory condition of the laboring population. The argument then was,

not that a protective tariff would make wages higher or that it was needed for this purpose, but that, wages being already so much higher in this country than in Europe, the tariff was necessary for the protection, not of the working man, but of the manufacturer, "against the competition of foreign pauper-made goods."

The following is a curious example of the universally admitted fact that cheap lands cause high wages: Edward Gibbon Wakefield, who visited this country in the first quarter of the last century, was horrified at the "scarcity of labor" in the United States, and at the high wages paid for labor and the independence of laborers. He sincerely believed that the "better classes" who might emigrate to the Australian Colonies should be protected against such unpleasant conditions. In order, therefore, to bring about in those new countries such "salutary scarcity of employment as would give cheap and abundant labor," he proposed to the proper authorities that the land from the start should be held at a price so high as to put it beyond the reach of any of the class of farmers who were willing to work with their own hands. The money received by the state in this way, he proposed to devote to paying the passage to the Australian Colonies of suitable immigrants carefully selected from the "lower classes."

A policy of this character was, in fact, to some extent, pursued for many years by the English Government in the disposition of the public lands of its colonies. In 1890, however, a radical change was adopted in New Zealand, on the coming into power of the Liberal party, which has since been in control in that colony. The holding of large bodies of land

in idleness and the investment of wealth in its purchase was made less profitable by a graduated land tax. Laws were also passed, by means of which idle lands in private hands could be condemned by the government and leased to actual settlers, suitable provision being made for the compensation of former owners. In this way it became possible for a settler to invest safely all of his capital in improvements and in the actual cultivation of land, without sinking any part of it in its purchase or in the payment of land purchase money indebtedness. When this legislation was inaugurated New Zealand was, and had been for some years before, suffering from acute "hard times." A change for the better at once ensued, and a period of prosperity immediately began, which was not appreciably interrupted by the world-wide panic of 1893. In New Zealand today wealth is more evenly distributed, wages are higher, and prosperity is more nearly universal than in any other country in the world. And so it must always be. Where unused land is cheap and easy of access, wages must be high; where such lands are dear and hard to obtain, wages must be low. What would be the effect on wages and trade generally if all unused land, no matter where situated, was always cheap and easy of access to capital and labor?

Recurring to the island, let it be assumed that when its population reached one hundred millions, every acre of land suitable for the purpose was so fully and properly used that the greatest amount of food was being produced with the least expenditure of labor, just enough of it being obtained to give every inhabitant an abundant supply. Under such circumstances, so long as the population of the island

did not exceed one hundred millions, neither the theory of Malthus nor the theory of diminishing returns could have any application. Up to this time there could be no real scarcity of land, because, in point of fact, under intelligent husbandry, land with constant cultivation becomes more fertile rather than less fertile; and this, too, without additional net expense to the husbandman. But let the population of the island increase beyond one hundred millions, and continue to increase, then for the first time in the history of such a world the theory of Malthus and the theory of diminishing returns would begin to apply under inexorable natural conditions. If there were a real scarcity of the raw material which land affords, some would have to do without, nor could this be wholly avoided by any change in laws regulating the right of access to land. Interest and wages would then necessarily fall, but this would result from the laws of nature, and not from those of human enactment.

Suppose ten million laborers were engaged in producing food on this island when its population was one hundred millions. Let the population increase 20% and twelve million laborers would then compete against each other for agricultural employment, although only ten million could be employed to the best advantage. There being no unused land for the additional two million laborers to turn to, competition among the twelve million for employment would become exceedingly intense, and the struggle for existence would compel each to underbid the other when possible. If the laws of supply and demand were allowed to act without restrictions, the wages of the lowest class of agricultural laborers would

inevitably fall to the point at which the laborer could hardly subsist. Since a considerable portion of all laborers would be engaged in agriculture, it is evident that the wages of all other laborers would fall in the same proportion. Abnormally low wages in one class of employment will cause laborers to leave it and crowd into other lines of employment, and this will go on until wages in all lines have fallen to a corresponding level. If a cause producing, say, a 50% reduction of wages applies to one-third or even less of the laboring population, then the wages of all laborers must fall in much the same proportion, and when the equilibrium is reached all wages will be lower.

Competitive bids for the use of land, under the circumstances, by laborers with barely enough capital for self-employment, and by those able to employ other laborers, would be influenced also by the low rate of wages. This would make land higher; hence the price paid land owners for land, or its use, would constantly tend to increase with increase of population, while wages would tend to decrease. The land owner would naturally and inevitably in the end get the entire product, less the smallest amount on which laborers could subsist, and less the least amount of interest sufficient to induce owners or holders of capital to employ labor. This would be the case except as the natural effect of the law of supply and demand might be modified somewhat by the causes referred to in the preceding chapters. Not only would employees bid against one another for employment, but parties desiring to use their own or borrowed capital, as employers, would also bid against one another for the use of land on which to employ labor; hence the

wages of employers as well as employees would also fall. In other words, the rewards of efforts on the part of employers as well as of employees would grow smaller and smaller as the demand for land increased. And not only so, but capitalists as such would be compelled to accept lower and lower rates of interest from employers, in view of the constantly lessening opportunities to engage in profitable wealth-producing enterprises; hence interest would also fall.

What is stated here as the result of an increasing demand for land caused by increasing population, is not mere theory. The proof of it is found by comparing wages, rates of interest, land values and opportunities for profitable enterprises prevailing in thickly settled countries, like England, for instance, with those found in thinly settled ones, like the United States and the English colonies.

Wages under conditions resulting from a real scarcity of land would thus automatically fall to the starvation point, or to a point so low that any further reduction would mean the destruction of the laborer, while land values and rent would rise to enormous proportions. This would be so, no matter to what extent inventions increased the amount of wealth produced. The laborer, by means of improvements in labor-saving processes now undreamed of, might be able to produce on an average more wealth in an hour, than his forefathers produced in a month, yet the portion of it which he would be permitted to retain would be comparatively trifling, provided the law of supply and demand were permitted to control. This would be the case, no matter to what extent increase in the number of hours con-

stituting a day's work, or improvements in the character of the working man and in faithfulness towards his employer, added to the amount of wealth which he created. But it is absurd to suppose that any change for the better in the moral nature of the working man would be possible under such conditions, no matter what efforts were made for his spiritual regeneration. For men would then fight for the chance of employment as wolves fight for a bone, and even as multitudes of half starved human beings now occasionally fight for jobs on the docks of London—and even as working men are already beginning to fight each other in the same way in free America. Note the following newspaper clipping:

> "The nine months' struggle of the machinists and boilermakers of the Chicago, Lake Shore & Eastern Railroad against a 10 per cent wage reduction is at an end. The company announced that if the unions would call off their strike it would reinstate as many of the former employees as possible at the lower wages. The result was a stampede of more than half the 400 strikers, which caused fighting and brought out the police. The company hired 100 of the old men. * * * No strike breakers will be discharged."

It is apparent that as time passed and the scarcity of land increased on the island, the more and more miserable and dependent would become the condition of the laborer. The relation between land owners and capitalists on the one hand (capitalists being in large part land owners also), and employees on the other hand, would soon practically become that of masters and slaves. Society would then be made up of millionaires and billionaires on one side, living in

luxury such as is now but partially approached, whose sordid pleasures would be ministered to by armies of cringing servants. On the other side, seething millions of working men would fight each other like beasts for the mere privilege of employment, except as such horrible conditions might be alleviated to some extent by the Benevolent Feudalism of which Mr. Ghent has written. It is also evident that these conditions would be approached long before there was such scarcity of food as to render semi-starvation in the nature of things the necessary lot of a single human being.

Suppose the surface of the earth from pole to pole were owned by a single person, or by a corporation like the Standard Oil Company. It would then be possible for the owner at any time, by simply refusing to permit the use of lands at present unused, to quickly bring about the results above described. The refusal of land owners generally to permit the use of unused land, except on terms which would give them all the wealth which could be produced on it over and above what was necessary to enable the laborer to live and work, would bring about the same consequences. Is it clear that preconcerted action on the part of land owners must be necessary in order to bring about such conditions? Would not the simple law of supply and demand, as population increased, suffice to produce them? Who shall say that the necessities of the workers, the fact that the unemployed are even now eagerly bidding for the places of the employed, have not already produced conditions in part like those above described, and that we are not rapidly approaching the full measure of them?

Thomas Carlyle once said to an American: "Ye may boast o' yer dimocracy, or any ither 'cracy, or any kind o' poleetical roobish; but the reason why yer laboring folk are so happy is thot ye have a vost deal o' land for a verra few people."

CHAPTER IX.

EFFECT OF AN ARTIFICIAL SCARCITY OF LAND ON RENT, INTEREST AND WAGES.

THE ultimate condition of employees, caused by the scarcity of land on the island referred to in the preceding chapter, would come gradually. The investment of wealth in the purchase of land would by degrees bring about an artificial scarcity of land, with all the effects of a real scarcity, long before there was such scarcity in fact. This is what has already happened in the real world, for the real world differs only from the one in the illustration in being an island with fifteen hundred million instead of one with a hundred million inhabitants. If we open our eyes to the matter, we can see on every hand at present the same effects flowing from an artificial scarcity of land which would result from a real scarcity.

It was shown in Chapter VI that as yet there is no real scarcity of land in any country; that in the United States, many times its present population could be supported without waste of human labor, and that, in fact, probably less than one acre in five of the area of this country is so utilized as to produce the greatest amount of wealth with the least amount of labor. The price, however, at which unused land is often held brings about an artificial scarcity of it, almost as marked in its effects upon interest and wages as if such land were blotted out of existence altogether.

Some years ago, during a "boom" in California, unimproved lands, useful at that time only for raising wheat worth sixty cents a bushel, went up to two hundred fifty dollars per acre. No farmer could buy this land, pay current wages, and make more than two or three per cent on the entire investment. It is evident that most of such unused land would remain unused until the price fell. Let the price fall, however, to fifty dollars an acre, and additional plows and reapers would begin to move; let it become free land, and in a few seasons labor would be employed in the cultivation of nearly every acre of it, and the communities in which it was located would present unparalleled scenes of prosperity.

The price which must be paid for unused land creates an artificial scarcity of it. That this may constitute as great an obstacle to the employment of capital and labor as a real scarcity, is shown in the opening up to homesteaders of the Territory of Oklahoma a few years ago. Up to that time, capital and labor of white men could not be employed lawfully upon this Indian reservation. While this was the case, the land in this territory might just as well have been covered with ten feet of water, so far as its availability for the relief of an overcrowded labor market was concerned. This may be said with almost equal truth in regard to the unused wheat lands in California, so long as the price demanded remained at two hundred fifty dollars per acre. And so, also, as to all unused lands, if they are held out of use to gratify an owner, or if the price demanded is so high that after the payment of current wages, current interest on the entire investment cannot be made. As to lands thus held out of use, it is correct,

from an economic standpoint, to consider them eliminated from the earth's surface. But be the purchase price great or small, it always helps to create an artificial scarcity of land, and this is the greatest of all obstacles to the employment of capital and labor. It is the one thing, and, as will be shown, the only thing, which prevents wages from naturally rising with the increasing wealth-producing power of the wage earner.

Oklahoma, with its two million acres, was an uninhabited wilderness, with a single railroad running through it. In Texas, bordering on the south, and in Kansas on the north, there were then, as at the present time, forty million acres and more of unused land of equally as good quality, already within settled and civilized communities, adjacent to improved highways, and convenient to schools, churches and markets. For this reason, these unused lands of Kansas and Texas, found often in thickly settled neighborhoods, in themselves presented far more inviting fields for the employment of capital and labor than the land in the wilderness of Oklahoma. In themselves, they offered greater inducements to men to leave the congested ranks of labor in cities and towns for employment in the cultivation of the soil. But the lands in Kansas and Texas were not free. The prices at which they were held as effectually put them beyond the reach of the overwhelming majority of homeseekers, including workers in cities and towns, who would gladly go to the soil for employment if they could improve their condition by doing so, as though the lands had no existence, or as though they were covered by inland seas. Not so, however, as to the free lands of Oklahoma. When

it was announced that on a certain day and at a certain hour, the Oklahoma Reservation would be opened to homeseekers in parcels of one hundred sixty acres each, free and without price, many times as many applications for land were filed as there were parcels of it to be distributed. Fifty thousand applicants, most of whom had little capital, gathered on the borders of the Territory to make a wild rush when the signal guns were fired, for the chance—one in five—of obtaining an opportunity to apply labor directly to the soil. Within a single season after this rush occurred, sixty thousand people were living on these lands. The law required them to do this, and the great majority wanted the land for homes and not for speculative purposes. The demand for it would have been only a little less intense had there been no hope of profiting from its future unearned increment. But for the opening up of this land and the rendering of it available to capital and labor, a majority of these people would now be competing against one another and against others for employment in cities and towns, and thus assisting in glutting the labor market.

And yet there are hundreds upon hundreds of millions of acres of unused or but partially used land in the United States, on which labor can today be more profitably employed than on the Oklahoma lands when first opened to settlement. A drive of a few minutes to the suburbs and beyond of any city will disclose thousands of acres of such land. It is found everywhere, inviting the small capitalist and the poorly paid laborer to the more profitable employment which its cultivation would afford, except for the price demanded for access to it. But as to the

overwhelming majority, this price is prohibitive. Yet the price is all which stands in the way of an inexhaustible demand for labor upon unused land. Otherwise on what reasonable theory can the rush for free land to the wilderness of Oklahoma and the rapidity of the settlement of that territory be explained? What else prevents a rush to unused land lying within a few minutes' ride of every idle capitalist and every idle laborer in the country?

If these unused opportunities for employment, at the very doors of banks congested with idle capital, and in the very midst of laborers engaged in cutthroat competition for employment, were condemned by the government under its power of eminent domain, or otherwise turned loose as the lands of Oklahoma were loosened, would labor then have to beg for employment, or regard it a favor to be employed? If the employer could invest all his wealth in the means and appliances necessary for the employment of labor on these unused lands without being compelled to spend often the greater part of it in the purchase of the land itself, would there ever be any lack of capital for the full employment of labor—would there be any talk then about an insufficient wage fund and nonsense of that kind? As it is now, more capital often is required for the purchase of places on which to employ labor, than for the purchase of the tools necessary for its employment. Thus, sites alone for the employment of labor in Greater New York, if fully utilized, would cost the employing capitalists, even at present valuations, over four billion dollars. What wonder then that labor's share of the product, as well as that of capital, is so small comparatively, when land alone in

great cities is capitalized at the rate of millions of dollars per acre, and everywhere else in like proportion, on the basis of which capital and labor must pay tribute for the bare privilege of employment!

The overshadowing feature of men's social relations is the fact that wages do not keep pace with progress; that wages do not rise in proportion to the constantly increasing wealth-producing efficiency of the wage earner, and that men willing to work and begging for work are so often unable to obtain work. These are apparently the most puzzling of sociological phenomena, and the ones of all others which the political economist is called upon to explain. Yet the explanation is as simple and as easily comprehended by any one free from prejudice as the explanation which Gallileo gave for the movement of the planets. It is the great underlying truth on which any correct system of political economy must be based, and it is this: Wages do not rise, but, on the contrary, naturally tend to fall, with increase of population, notwithstanding increase of wealth, and men beg for employment in the midst of idle lands simply because wealth can be profitably invested in the purchase of unused land. And the reverse of this will be found to be equally true: If wealth could not be profitably invested in the purchase of land, wages would rise and continue to rise with every improvement in labor-saving devices. Thus, it will be found that improvements, as well as increase of population, under free competition and the unobstructed operation of the laws of supply and demand, can only in the long run increase the value of land and the portion of the product going to land owners. They do not increase either interest or wages, or the portion

going to capitalists and laborers. This being true, it follows that, if it could be so arranged that land would get nothing, the entire product would then go to capital and labor in the form of interest and wages; and it can be made equally clear that if this were done, every improvement which increased the efficiency of labor would in the same proportion naturally and inevitably increase the wages of the laborer.

If land were made free, by the application of the power of eminent domain, and then kept free by the application of the taxing power, wealth could not be profitably invested in land; then capital as such would be absolutely helpless and wholly dependent on the labor of employers and employees. Competition between capitalists bidding for labor would be as intense as it is now between laborers bidding for employment. At present, however, capital can snap its fingers at labor. It can buy land. This means that the man who would otherwise be compelled to remain a capitalist can invest his wealth with profit in simply buying the privilege of collecting tribute from capital and labor. He is not compelled to use or permit the use of all of his capital in the employment of labor as would otherwise be the case.

At the end of any period sufficient for its accumulation, people will have saved, say, fifty million dollars, and the wealth of the country will have been increased to that extent. There will then be additional commodities of the value of fifty million dollars produced by labor, stored in the warehouse of the world, to be used and invested so as to produce incomes for those whose ownership of this additional wealth is evidenced by money in their possession.

Since this wealth has been saved and added to an existing stock of wealth, all, or the equivalent of all of it, must be invested, in land or in new enterprises requiring the employment of labor. Every laborer thus employed in a new enterprise or in the enlargement of existing enterprises will add to the total number of laborers previously employed, and deprive none of them of employment. Now, without burdening the mind by trying to think how it could be accomplished, or whether it ought to be accomplished, let it be assumed, for the sake of the argument only, that all unused land was free land, and that none of this additional fifty million dollars of wealth could be invested in its purchase. In other words, that the owners of this wealth could not profitably use it in buying land. It follows then that practically all of it would be invested as capital in labor-employing enterprises, and hence labor would be in greater demand than would be the case if any part of it could be used in buying land.

Again, since all unused coal beds and mineral deposits and unused tracts of land suitable for farms and residences and stores and factories, etc., would be as free to any one who would use them as were the free lands of Oklahoma, the eagerness of capitalists themselves to employ labor so as to take advantage of these wealth-producing opportunities to be found in every community would also bring about a great demand for labor. Nor would labor be wasted any longer by the failure of laborers and employers to select in every instance the best located unused land on which labor could be applied to the greatest advantage.

The forcing thus of all wealth for income producing purposes to be used as capital; the removal of all the obstacles to the employment of capital and labor which have been pointed out, and which would follow if unused land were made free, and the enabling of the employer in all cases to select from unused land the portion of it on which the greatest amount of wealth could be produced with the least expenditure of labor, would not only result in an increase in the demand for labor, but also in an enormous increase in the amount of wealth produced. From this would follow an increase in the amount of wealth saved, and since this could be profitably invested only as capital, the wage fund of the world would be increased in like proportion. With more and more wealth thus seeking investment, and with practically no other way for its profitable investment except as capital in labor-employing enterprises, with all unused opportunities open and free of cost for the use of capital and labor, how would it be possible for rates of interest to rise also, with improvements in labor-saving processes? Such improvements would have the effect of increasing the amount of capital to be invested in the employment of labor, thus intensifying competition among its holders seeking such investments, to the benefit of both employer and employee.

If land were free, therefore, every improvement in labor-saving processes would have the ultimate effect of reducing rates of interest, and since the entire portion of wealth produced by human effort which is now divided between the factors of land, capital and labor, would then be divided between capital and labor only, it follows inevitably that the share

received by labor would also constantly increase, and the share received by capital as measured by rates of interest would as certainly in the long run constantly decrease, with improvements in wealth-producing processes. And so the laborer, including the employer as well as the employee, would finally reap the full reward of his labors.

CHAPTER X.

LABOR'S DEPENDENCE ON CAPITAL.

THE obstacles to the employment of capital and labor to which attention has been called, arise from and are generally supposed to be inseparably connected with the private ownership of land. While the necessity for such ownership is admitted by political economists of the new school, no attempt is made by them to disguise the consequences flowing from it. And therein lies the difference between a true science and a spurious one—between a system which explains things and shows the causes of important phenomena, and one which confuses things, hardly mentions such phenomena, and makes little or no attempt to account for them.

Of what value is a conglomerate mass of disconnected statements and finely drawn distinctions relating to sociological topics, thrown together with no apparent object in view, and without an earnest purpose to get at the causes of the phenomena referred to in the introductory chapter of this book?

Just as learned professors in the days of Galileo may have taught varied and confusing systems of astronomy without calling attention to the movements of the planets, so learned professors today are teaching varied and confusing systems of political economy without showing the fundamental difference between property in land and property in the fruits of industry. Not so, however, as to

those of the new school; while proposing no substitute for private ownership of land, they do not ignore its far-reaching effects on the social relations of men. It may be that the evils connected with it, which have been pointed out, as well as others which will be referred to, are inevitable; it may be that the simple change in the application of the forces of government hereafter explained, which would remove these evils, cannot be sanctioned by the moral law without compensation to land owners and that the plan suggested later for such compensation is impracticable. But even if this be so, why should teachers of political economy hesitate to promulgate the truth? Is the fear of arousing an unjustifiable attack upon property rights a sufficient excuse for obscuring the truth? Truth need not be denied, because *we* think it may lead to error. Why, then, shrink from a full and frank discussion of the effects of private ownership of land on the demand for labor and upon the distribution of wealth?

The reader has now a general idea of the trend of the argument. Summarized in part, it is as follows: Raw material must first be produced from land, by farmers and miners, before laborers, who handle and fashion it as merchants, mechanics and manufacturers, can be employed. There cannot be a demand for all the additional workers annually seeking employment with increase of population, unless the labor of perhaps a fourth of them be applied directly to land which was before unused or but partially used. It is evident that the higher the price demanded, either as purchase money or as rent, for access to this unused land, the greater will

be the obstacle to the employment of these additional workers; the lower the price, the less will be the obstacle; while if no price were charged, and unused land were free land, this obstacle to employment would disappear entirely. It is also evident that legislative forces so applied as to sustain and increase the price of unused land must increase the obstacles to employment; while the same forces so applied as to decrease the price of unused land must lessen and ultimately remove these obstacles.

Political economists of the orthodox school, as well as ultra socialists, not only ignore the natural effects of the private ownership of land, but also the consequent obstacles to employment pointed out in the preceding chapters. Many of them insist that the scale of wages depends upon the volume or amount of capital, and that relief to employees will come and can come only with increase of capital. The fact that, as a general rule, in new communities where there is the least capital, wages of both employer and employee are highest, while in old and thickly settled communities where there is the most capital in proportion to population, wages are lowest, is not referred to; and the connection between cheap land and high wages and dear land and low wages is hardly noticed. Agreeing with the socialists, many teachers of political economy apparently hold that wages of employees generally are fixed by what labor receives in immense manufacturing establishments where enormous amounts of capital are used, and where the subdivision of labor is carried to the greatest extreme. Hence they teach that labor is abjectly dependent upon capital. Like the socialists, they fail to see that

the scale of wages must be fixed by what labor can earn under the simplest, rather than under the most complex, conditions of employment. They fail to see that the independence of the laborer depends on the amount of capital necessarily required to grow vegetables rather than on the amount needed for the construction of locomotive engines.

Labor is not, in the nature of things, abjectly dependent upon capital. Three-fourths or more of the products of the farm are still produced with appliances of the cheapest and simplest character. The poultry crop is but a few millions less valuable than the wheat crop, while the hay crop sometimes almost doubles the value of the cotton crop. The small farmer who combines in himself a laborer, landlord and capitalist, will always have a greater income in proportion to the capital invested and labor expended than the so-called capitalistic farmer. The old saying that "He who by the plow would thrive, himself must either hold or drive," is as true today as regards four-fifths or more of farmers, as when first written by Poor Richard a hundred and fifty years ago. The tendency is constantly toward smaller farms and more intensive systems of cultivation. In this connection, of course, a farmer pure and simple is referred to, and not a landlord who farms other farmers, nor does "capital" include the wealth sunk in the purchase of the privilege of using the land on which the farms are located.

Four-fifths and more of the farmers of this country, each working for himself and independent of any employing capitalist or any landlord, will naturally produce more wealth than if working for large capitalists or even for the captains of industry of a

socialistic commonwealth. While large capital and a division of labor may be often necessary in the interest of economy to meet competition in the manufacture and distribution of commodities, very little capital is needed in the production of cotton and most of the food crops. Neither is the amount of capital required for any branch of agriculture so large that an industrious and capable farmer could not speedily accumulate it with his individual labor if he has free access to valuable unused land. This has been demonstrated in hundreds of thousands of instances on the fertile plains of the West.

A man with a few dollars' worth of tools and means of support for a few months, a comparatively trifling amount of capital, and easily within the reach of vast numbers of employees in cities and towns, could make a bountiful living on the valuable unused lands near at hand to which attention has been called, without the aid of any other capital, if he had free access to them. The importance of this fact is ignored by orthodox political economists as well as by socialists.

In order, then, to determine the extent of labor's necessary dependence upon capital, we must see how the relationship between the two would stand if both had free access to unused land. Let us then imagine conditions which would prevail if the natural order were observed in the use and in the appropriation of land.

If there were no artificial obstacles to prevent it, the most fertile or most favorably situated land would always be first selected for use. There would then be few, if any, of the intervening stretches of more valuable unused land between lands in use,

found on every hand. There would rarely if ever be such spaces in cities and towns. Land most conveniently situated and most valuable for use would no longer be withheld from use. Capital and labor would no longer pass by vacant lots and unused farming lands, coal beds and mineral deposits, and apply energy to lands more remote and naturally less valuable. The waste of effort occasioned by the present custom would be saved and the aggregate amount of wealth produced would be vastly increased.

Let it be assumed, then, for the purpose of argument only, that the taxing power of the government was so exercised as to make it unprofitable to withhold land from the use to which it was best adapted, and that no one could afford, as a business proposition, to own land without putting it to such use. If this were the case, vacant land would always be free land. Under such conditions, there would be none of the intervening spaces between business houses and between residences and between cultivated or improved fields to which attention has been called. Moving from the center of any city, improved business lots would join improved residence grounds, and the latter would join cultivated or improved fields which would extend in almost unbroken masses to the unimproved pasture lands and unused lands beyond, except as such natural order might be modified by difference in the fertility of soils or other natural causes. The land beyond and adjoining the last improved or cultivated fields would thus be practically free land, open to the use of whoever cared to take a deed for it from the State, and use and improve it.

Let it also be assumed, for illustration only, that the tax was so adjusted as to give the government approximately the unearned increment or increase in value of land resulting from increase of population and progress generally. The State would then take, in the form of a tax, what the land owner now takes in the form of rent, according to the economic definition of rent heretofore given. In the division of the wealth produced, the portion attributable to land as rent would then go to the government in the payment of a tax. At present, it goes to an individual in the payment of rent. Of course, the tax would be levied on the value of the land alone in lieu of all other taxes, without regard to improvement. The tax on land would be so adjusted from year to year as to take practically the entire unearned increment, and hence no one would have the slightest desire to accept a patent to land from the government for speculation or investment purposes. Hence, unused land would always be free land. When with increase of population, the necessity for the use of such land arose, no private owner would stand in the way of its use, and thus the purchase price of unused land, the greatest of all obstacles to employment, would disappear.

Let it be further assumed, for illustration only, that under the conditions above shown, there would always be free land thus conveniently located for the small capitalist and laborer to go to. This land would not lie in a roadless wilderness, remote from markets, schools and neighbors. It would always adjoin a compact and thickly settled community, with macadamized roads at every farmer's door, and all the social and economic advantages which come

with density of population. The settler upon it would at once become a member of such a community, and a participant in its advantages. It would be land from which the bulk of the product would often go directly to nearby consumers, unaffected by trusts and combinations in restraint of trade. What such advantages are worth is apparent from the fact that men will often pay hundreds of dollars per acre for raw land thus situated, rather than twenty dollars an acre for land equally as fertile twenty miles farther from a neighboring city. This difference in price arises in part from the fact that while a day's labor on the remote land will produce, say, a dollar's worth of wealth, the same amount of labor on the other land will produce, say, three times as much. Yet, under the condition stated, this three dollar a day land would at first be practically rent free. The tax, to begin with, would be but nominal. It would only increase as, with increase of population and material progress, labor applied to the land would become more effective, and then the increase of the tax would only be sufficient to give the State, instead of the individual, the benefit of the unearned increment. The values created by the community would thus go to the community instead of to individuals.

With an abundance of unused land so well situated to be had on such terms, how absurd to suppose that labor would then be abjectly dependent upon capital, even though plants requiring an investment of hundreds of millions of dollars might be necessary in many kinds of enterprises! How could the wages of employees in plants of any kind be forced below the scale of wages fixed by what labor

could make on rent free land? What possible combination of employing capitalists could compel employees to accept less than laborers would make on available free lands? Many laborers would be able to employ themselves practically without the aid of capitalists, and, speedily creating their own capital, they would become personally independent of all capitalists. Since agriculture is the simplest, most easily learned and most generally followed of all trades, the independence of agricultural laborers would mean the independence of all laborers.

The success of vegetable patches on vacant city lots proves that the earnings of even common laborers on valuable free land would exceed those now usually earned by ordinarily skilled laborers. No one can doubt that with free access to nearby unused lands, more labor would be employed, and that labor would naturally become less dependent upon capital. The unemployed laborer himself might not go to the soil, but if conditions were such as to make its cultivation highly profitable to other laborers and to small capitalists, enough of his competitors would do so to largely increase the demand for his labor, no matter what his employment might be.

It follows then that the extent of labor's dependence on capital does not rest upon the amount of capital required to carry on manufacturing and commercial enterprises. It depends simply on the amount actually needed to enable the laborer to produce wealth on nearby unused lands; and, exclusive of the price of the land, this amount of capital is so small as to be within the reach of every laborer with moderate forethought and prudence. Labor existed before capital, and unaided, it brought forth

capital. Given free access to unused lands, and the laborer would be as independent of the capitalists under the most complex as under the most simple conditions of society. Experience tends to prove this to be true. In new countries, where the least amount of wealth is needed for the purchase of conveniently located unused land, wages are highest; in old countries, where the most is needed, wages are lowest.

Increase of wages arbitrarily by trade union methods, like increase of prices produced by trusts, means gain for some and loss for others; but the independence of the laborer, when brought about naturally by the unrestricted operation of the law of supply and demand, means greater wages for employers as well as employees, and greater prosperity for workers of every kind.

The thought thus suggested for the purpose of showing to what extent labor is necessarily dependent upon capital, will be more fully developed in subsequent pages. Before leaving it, however, one question will be briefly answered. The query is this: While the conditions referred to might exist and produce the results described, in a new and thinly settled country, what application can it have to those countries in which there is little or no unused or but partially used land suitable for agricultural purposes? The answer simply is, that in every country in the world there is an overwhelming abundance of such unused land, and it is not likely that there ever will be any scarcity of it, considering the probable results of the application of science to agriculture. When unused land is not

literally close at hand, modern transportation facilities can always make it practically so.

Where are the thickly settled countries to which the question mentioned above is supposed to apply? The population of India is but 165 to the square mile; of China, 150; Japan, a little more than 360; France, 188; the islands of Great Britain, 371. The population of the State of Massachusetts, which is 418 to the square mile, slightly exceeds in density that of Great Britain. Holland is perhaps the only country in the world, except Belgium, where the population is more dense than in the State of Massachusetts, and it has only about 500 to the square mile.*

The census of 1910, regarding land in Massachusetts, illustrates to a great extent the situation in all countries where population is supposed to crowd means of subsistence. There are 5,144,960 acres of land in Massachusetts, of which only 1,164,501 acres are classed as improved farm lands. Thus only about one-fifth of the land in one of the most densely populated countries in the world is in actual cultivation. A study of the figures presented by the census shows that about 1,400,000 acres in

*The enormous amount of unused land which careful investigation brings to light in the most densely settled countries is shown from the following extract taken from Thomas F. Millard's article on "The Financial Prospects of Japan" in the September number, 1905, of Scribner's Magazine:

"It will probably surprise many people to learn that there is now only about one-half the arable land of Japan in cultivation. Some time before the war the Japanese Government appointed a commission to inquire into the state of agriculture in the realm, which in due time reported certain facts bearing thereon. Commenting upon the findings of this commission, one of the leading and more conservative native journals had this to say: 'According to the latest statistics compiled by the Geological Investigation Bureau of the Department of

and near cities and towns are unused for any agricultural purpose whatsoever, on which about nine-tenths of the population of the State, or 3,125,365 people, live. This is enough to give the family unit of five people 2.22 acres of land for a home site, after allowing one-third of the total area for public parks and streets. Yet the lots in actual use for residence and business purposes in the cities and towns of Massachusetts do not probably average the one-tenth part of two and twenty-two hundredths acres of land to the family unit of five. But say that the allowance per family for home purposes ought not to be less than an area of 100 by 100 feet, including business as well as residence lots, and it follows that at least six-sevenths of the 1,400,000 acres of land referred to is wholly unused. In other words, in Massachusetts there are considerably over a million acres of land in and adjoining cities and towns, spoiled for any present productive use because its owners believe that in the succeeding five, twenty, or perhaps fifty years, some of it may be used as sites for buildings. The laborer and the capitalist are unable to use this land for agricultural purposes because of the high price demanded for it, and so

Agriculture and Commerce, the present total area of cultivatd fields in Japan forms only 13 2-3 per cent of her total area. Comparing this with the ratios of cultivated land in foreign countries it will be seen that the land cultivated by countries in Europe covers from one-third to one-half of the total land area. * * * From the above (figures) it will be seen that Japan still has 48 per cent. of the total land area which can be turned into cultivated land. There is at present about five million cho (a cho is equal to 2.45 acres) of cultivated land in the country, leaving some four and a half million cho to be still cultivated. Should efforts be made to turn this arable land to advantage, the increase of population is little to be feared.' "

most of it is practically abandoned to the speculator and to the mere land holder. Yet of all land in the State, this, with few exceptions, is the most valuable for farming purposes.

As in Massachusetts, so everywhere in connection with thriving cities and towns, an area from five to ten or twenty times greater than that on which the population would be concentrated under natural conditions is excluded from use. In Massachusetts the amount thus excluded exceeds all the land in crop cultivation in the State.

Had the natural order been observed in Massachusetts, in the use as well as in the appropriation of land—had the land most suitable for use always been first used, doubtless most of the farmers of that State would now be located on the most valuable and conveniently situated 1,000,000 unused acres in the suburbs of cities and towns, instead of upon lands remote from centers of population, the remainder of the unimproved land in the State would still be unimproved, the only difference being that nearly all the cultivated lands would then lie adjacent to compactly built cities and towns. Of course, this is but an approximation of what would really have happened, but in the main, the lands of Massachusetts would have been settled in the manner stated. The best and most valuable land, considering the fertility of the soil and its proximity to centers of population, would always have been first used, and unused land would always have been the least valuable for use. Under the effects of the taxing power applied in the manner which has been suggested, the unimproved land in Massachusetts, amounting to millions of acres, would have been practically

free land, or lands used as pasturage, the tax on which would be nominal. And this free land would generally have commenced where the cultivated fields ended, and where labor could produce as much wealth as when it is now applied to land held at hundreds of dollars per acre.

A macadamized road at the farmer's door will often alone add ten per cent. and more to his gross income, and quadruple the fund from which his possible savings must come. He can haul his crops over it when wet weather suspends work upon the farm, and at such times, especially, it facilitates the exchange of visits between neighbors, and adds immensely to the enjoyment of life. It also enables him constantly to increase the richness of his soil by easily placing upon it the fertilizing material often obtained without price from neighboring cities and towns.

Compare the lot of a man located on land of this character with that of the average husbandman on his oft mud-bound and storm-bound farm. The former has almost all the advantages of a city, including perhaps a telephone, a trolley line, and electric light and power, and the best of educational facilities close at hand; while the latter lives remote from neighbors, schools and churches, deprived not only of many economic advantages, but also of social pleasures which would add so much to the happiness and contentment of himself and family. What wonder that so many of the sons and daughters of farmers crowd the trades and professions in cities and towns! What else could be expected when the social instincts of mankind are taken into account?

There is no economic necessity for the hard and dreary lives which so many farmers and their wives and children are forced to live on lonely farms. Less than half the money, for instance, now expended in the construction and maintenance of dirt roads would put macadamized roads and a telephone line to every farmer's home, together with electric light and power service, if all farmers were located on the lands best situated for farming purposes, and the remainder devoted to pasture and fruit. Not only so, but the same amount of labor wholly applied to such lands, under such advantages, would produce double and quadruple the wealth at present obtained from much of the farming lands in use.

The enormous areas of unused lands near the centers of population is not exaggerated. Careful observation will convince the most skeptical on this point. Start from the business center of any average city in America and note the proportion of improved to unimproved, or but partially improved, land between two parallel lines a quarter of a mile or so apart, running into the country. Extend these lines until a region is finally reached where the price of land is based upon the wealth which it is capable of producing when devoted to agricultural uses. Or, in other words, extend them until land is reached, the value of which is not inflated by the hope of its some time being used for other than agricultural purposes. In every instance, it will be found that not one acre in five, often not one in ten or twenty, between these lines, is used for any productive purpose whatever.

If the natural order of settling upon and using land were observed, unused lands would be found

everywhere in abundance immediately adjacent to thickly settled communities. Given conditions under which land could not be profitably appropriated in advance of any economic demand for it for actual use,—let the forces of government be so applied that all unused or but partially used land would be practically free land, free land then could always be found where the laborer upon it would be able to enjoy from the very start the social and economic advantages of a densely settled community. On such land most laborers, as heretofore shown, could produce wealth without the aid of any so-called capitalist, and the wages earned by them upon it would many times exceed what can now be earned on the free land which can only be found at present in the heart of a wilderness.

The necessary dependence of labor upon capital, and of the laborer upon the capitalist, can only be ascertained when both are supposed to have access to free land under the natural conditions which have been described. Under such conditions, the agricultural laborer would always be practically independent of the capitalist as well as the landlord, and his independence would bring about the independence of all laborers. Under the natural conditions thus described, employers would compete for the privilege of employing labor, even as laborers now compete for the privilege of being employed, and wages would rise accordingly.

CHAPTER XI.

THE WAGE FUND OR PERMANENT WEALTH.

CAPITAL is not only wealth used to produce more wealth, but it is also wealth consumed in the production of wealth. The machine, no matter how strongly built, finally wears out, and is replaced by a new one. Wealth in the form of statuary may last for centuries, but wear and tear, moth and rust and decay finally prevail, and the process of consumption as to everything produced by human hands is at last completed. If wealth is not being consumed as capital, it is because it has reached the final stage had in mind during the process of its creation, and is being consumed in the gratification of human desires with no ulterior aim in view. Thus, the reaping machine, which is instrumental in producing the wheat which makes the flour which makes the bread, is capital; but the bread on the table of the consumer is not capital—it is simply wealth.

Things of the same class may often be consumed, either as capital or as wealth only, according to circumstances. The horse dragging the plow is being consumed in the production of wealth, and is capital; the horse which merely ministers to the pleasure of its owner is being consumed like food, and is not capital. The race horse, by its efforts on the race track, adds nothing to the stock of wealth in the world, although it may enable some men to obtain wealth produced by other men. Wealth which is

not used to produce more wealth may be conveniently referred to as wealth consumed in living expenses; wealth thus consumed is not capital. Generally speaking, wealth is always being consumed, either in living expenses, or as capital in the production of more wealth. It is unnecessary to make other distinction with respect to it, since all wealth is either wealth in itself alone, or it is wealth used to produce more wealth.

Wealth saved by individuals takes the form of capital, unless invested in land, and most of the wealth which is not consumed as fast as produced is used as capital. The aggregate amount of capital in any community can be appropriately called the wage fund of such community or the permanent wealth of the community. It constitutes the fund from which are drawn the tools and supplies used by labor in producing wealth. It is evident, other things being equal, that the greater this fund, the more tools there are, the greater will be the amount of wealth produced, and that whatever tends to lessen this fund also tends to lessen the production of wealth.

One of the most important things to be considered in connection with the production and distribution of wealth, is the simple fact that wealth used as capital, and consumed in the production of wealth, increases the wage fund of the world or the amount of capital in the world, and makes it easier to produce wealth, while wealth consumed in living expenses has the opposite effect; hence it follows that the less consumed in living expenses, the larger will be the wage fund, and the more wealth will be produced by the same amount of labor. A rich man

may live extravagantly, indulge himself without limit in expensive cigars, wines, race horses and servants, and spend his entire income on living expenses, thus taking from instead of adding to the wage fund; while, on the other hand, a so-called miserly man with the same income may spend three-fourths of it on tenement houses and labor-saving appliances of various kinds, and thus add to this fund. The expenditures of the miserly man thus create as great a demand for labor as the expenditures of the former; but in the former case wealth is simply destroyed, while in the latter case it is saved and made useful in the production of more wealth.

The so-called miserly men who economize and save are public benefactors, as compared with the less provident whose incomes are entirely absorbed in living expenses. The miser may not be so popular with tailors and retail store-keepers as the spend-thrift, but if it were not for the prudence and self-denial exercised by the thrifty the wage fund would be smaller, rates of interest would be higher, and the comforts and luxuries of life would not be so commonly enjoyed. While the senseless extravagances of the very rich create a demand for labor, labor would not be in less demand if the effort needed for the production of things consumed in ostentatious display were devoted to things useful in the production of wealth. The rich man who spends a million dollars, for instance, in the erection of comfortable and sanitary tenement houses in the slums of a city, creates as great a demand for labor as if he spent it all on caterers, jewelers, servants and dressmakers. So also, as to the hundreds of millions of dollars

thrown away annually by the working men of America for tobacco, beer and whiskey—the demand for labor would not be lessened, if this money were saved and invested in other things needed by them—say, in better houses and additional furniture for wives and children; while fewer men would be employed in such event in the liquor business, more would be employed as carpenters and furniture makers.

An approach to equality in the matter of incomes tends to increase the wage fund or permanent wealth of the world, while inequality in this respect tends to decrease it. Thus, suppose that 50 out of 1,000 families in a given community have an average income of $15,000 each, while the average income of the remaining 950 is but $200 each. It is evident that great numbers of the poorer class would then be employed as servants in ministering to the pleasures of the rich, and would thus merely consume wealth without producing it; hence, the wealth produced, and the portion of it saved in such a community, would be much less than if fewer of the population were employed as servants. It is also apparent that in such a community energy would be devoted to the production of luxuries, which, under different conditions, would be devoted to the production of labor-saving appliances, and nobles would vie with one another in splendor of equipages, while peasants, for want of horses, would harness women to plows. Russia presents an example of conditions which must necessarily result from excessive inequalities in the distribution of wealth.

If every family had an income of not less than $1,000, there would be comparatively few who, as

personal servants of the rich, would be mere consumers instead of producers of wealth. More labor would also be applied to the production of comfortable houses, barns, domestic animals and agricultural implements, and less to the production of palaces, jewelry and fine gowns; hence, the aggregate amount of wealth consumed in living expenses would probably be smaller; in any event, the amount added to the wage fund or permanent wealth of the world would be larger. And so, in fact, in countries where wages are highest and differences in incomes are least marked, the amount of wealth per capita is greatest.

Although, as before stated, the New Political Economy offers no substitute for it, private ownership of land under existing conditions does more to check the growth of the wage fund than all other causes combined. It not only enables individuals to reap the unearned increment which attaches to land from increase of population, and also to obtain from capital and labor tribute money for its use, but the exchange of wealth for land and for the use of land often results in the consumption of wealth which would otherwise be conserved and added to the wage fund.

Since, however, the money which the grantee or the tenant pays for land, or for the use of land, is ordinarily spent or reinvested, the question may be asked as to how the payment of rent or purchase money for land can really lessen the amount of capital in the world. The fact that money paid for land, or for the use of land, is put into circulation by the person receiving it, in the purchase of other things, indicates nothing. Money, as heretofore

explained, is like a warehouse receipt. It only evidences the amount of one's wealth on deposit in the warehouse of the world. It has no more significance in the transfer of wealth than the "chips" used in a game of poker. Chips keep an account of the transfer of wealth between gamblers, and money in the same way keeps an account of the transfer of wealth between those who buy and sell. We care nothing for the chips—for the money used for convenience in the transaction. We wish to know in this connection what ordinarily becomes of the wealth actually given in exchange for land, or for the use of land. While a portion of it may be used as capital by the grantor or the landlord, much of it is always consumed in extravagant living expenses, and wealth in enormous quantities is thus destroyed which would otherwise be added to the wage fund. It makes mere consumers of people who would otherwise be producers as well as consumers. This will appear from the following illustration:

Some years ago, the lands containing coal beds and mineral deposits in Northern Alabama, 99% of which were wholly unused, advanced in value within a few years from a million to fifty million dollars. Now, suppose this land, when it was worth but a million dollars, to have been owned by a thousand people, who, ten years later, sold it to a thousand capitalists for fifty million dollars. If this did not in effect occur, it is nevertheless illustrative of and differs only in degree from what is constantly occurring in every civilized community. Here a thousand capitalists paid a thousand land owners on an average fifty thousand dollars apiece, or fifty million dollars in all, for the bare privilege of producing coal

and iron and wealth generally from unused lands. Recurring again to the functions of money, and it appears that the payment of fifty million dollars for this privilege signified that the thousand capitalists in effect had teams, furniture, steam engines, tools, food, clothing, merchandise and other things innumerable, in the markets of the world, of the value of fifty million dollars, which they gave in exchange for the land. The money simply evidenced the fact of the ownership of this wealth, and when it passed to the grantors, it gave the latter power to draw from the wage fund of the world, in lots to suit, things of the aggregate value of $50,000,000. Had they drawn ten million dollars' worth of gunpowder and burned it in a grand celebration, the permanent wealth of the world would have been lessened to that extent as one of the consequences of this exchange of wealth for land. The wage fund could also have been diminished in the same way by any other extravagance in which the former land owners might have indulged. Many of them, who would otherwise have continued to work and produce wealth, would doubtless then have begun lives of ease and luxury with retinues of servants to minister to their pleasures. They and their servants would thus become simple consumers of wealth and mere pensioners on the people at large, and the wealth thus squandered would diminish the wage fund of the world as effectually as the wanton burning of gunpowder.

The wealth which men acquire from the rent of land, or from buying and selling land, is not earned by them, but is wealth produced by others, which they are permitted to appropriate and withdraw from the wage fund and consume, if they choose to

do so, in living expenses. A man pays $10,000 for a tract of land which in course of time he sells for $40,000, netting $25,000 on the transaction after payment of taxes and all expenses. This gain to him of $25,000—this unearned increment which he individually appropriates—results from increase of population and the enterprise of the community in which the land is situated. He may never have been within a thousand miles of it, or done anything to add to its value. Nevertheless, the $25,000 profit in the transaction enables him to draw from the storehouse of the world, commodities of the value of $25,000, and consume them in increased living expenses for himself and family, or otherwise, and reduce the wage fund accordingly. Or he may live in idleness on the things thus withdrawn, and thereby become a mere pensioner, his claim to a pensioner's support resting on the fact of his having, years before, succeeded in forestalling capital and labor in the purchase of a bounty of nature which other people have made valuable.

It may be urged, however, that employers engaged in wealth-producing enterprises often live in needless luxury also, and consume wealth which could be saved and added to the wage fund. This is true; but it does not disprove the fact that the fund would be larger if individuals were not permitted to appropriate the rent of land and the increase in the value of land. As well might it be said that since there are some leaks in a ship which cannot be helped, it is useless to consider those which can be stopped. The right to collect tribute money, and diminish the wage fund by consuming in living expenses wealth produced by others, would not accrue to the land own-

ers, but for the burden of taxation being so adjusted as to make it often more profitable to invest wealth in the purchase of land than in the employment of labor.

There are in the main but two ways in which accumulated wealth can be permanently invested for income-producing purposes. One way is to invest it in effect in machinery, or in other words in capital, to be used in the employment of labor—or to loan it to those who will use it for this purpose. The other way is to invest it in land on which to use machinery, *i. e.*, capital.

For its advantageous employment labor needs capital in the form of houses, teams, tools, implements, paving upon highways, rails and ties and cuts and embankments on railroad rights of way, rolling stock, ships and unnumbered other mechanical appliances produced by human labor; together with stocks of food, clothing and merchandise with which to tide labor over from one harvest to another, and from one cycle of exchange to the next. The more there are of these things which constitute the wage fund, the greater will be the prosperity of workers of every kind, employers as well as employees. It is evident that the more paid for land on which to use these appliances, the less will there be left with which to purchase the appliances themselves.

There is no limit to the extent to which capital can add to the effectiveness of labor. With more and better paved highways, for instance, time and effort otherwise frittered away would be available for the production of additional wealth. If the wage fund were larger, more labor-saving devices would be used on the farms and in the factories, shops and homes,

and more wealth would be produced; yet, strange as it may seem, labor is everywhere diverted from the making of things which add to the productive powers of nations, and in all countries the forces of government are so applied as to encourage the production of luxuries and the maintenance of hordes of personal servitors.

Imagine the increase in the wage fund of the world, and the increased amount of wealth produced, if employing capitalists were not compelled to pay land owners such enormous sums for places on which to rest the tools of production. In Northern Alabama, for instance, as much if not more wealth in the aggregate was demanded for the privilege of using the tools referred to than the tools themselves were worth. And so it is everywhere. The aggregate price demanded for land in every community equals or exceeds the value of all the wealth, inclusive of the capital which rests upon it. On Manhattan Island the tax assessment rolls show that it exceeds it by over two billion dollars.

It is the size of the wage fund which determines, also, the relative strength as well as the relative wealth of nations. If employing capitalists were not required to buy from individuals the privilege of producing wealth on the soil of Japan, for instance; if the obstacles to the employment of labor which have been pointed out were removed, and the wage fund of that country permitted to increase as it naturally would under such circumstances, the expense of its war with Russia would have been a mere bagatelle compared with the increased amount of wealth which would then be produced.

There may be no help for it, but the burden of private ownership of land has a more depressing effect upon industry and enterprise than war, pestilence and famine. The pressure from this burden is never relaxed, nor is it lightened by material progress; on the contrary, it is, if anything, intensified by it and rendered less endurable.

CHAPTER XII.

THE DISTRIBUTION OF WEALTH.

CAUSES AFFECTING THE DIVISION OF WEALTH BETWEEN LAND OWNERS ON THE ONE HAND AND CAPITALISTS AND LABORERS ON THE OTHER HAND. ALSO THE LAW OF RENT AND ITS COROLLARY, THE LAW OF WAGES.

A SIMPLE illustration of the way in which wealth is naturally distributed is seen in the case of a tenant farmer, who borrows, say, $5,000, and opens up a farm on unimproved land, not owned by him, but which he leases from another. He uses this money to provide himself with buildings, teams, implements, supplies, etc., these things being in effect borrowed by him from the capitalist who loans him the $5,000. He might arrange to pay the capitalist interest, the land owner rent, and the laborers wages, in wheat raised on the place; but whether he does this or sells the wheat and pays them in money, the wealth produced on the land is just as clearly divided among the factors of land, capital and labor, as if these payments were made in kind. Say that he raises 2,000 bushels of wheat, which are sold for $2,000, of which the land owner gets $300 as rent, the capitalist $300 as interest, and the employees $800 as wages, leaving a net gain of $800 to the tenant farmer. This gain of $800 is the result of labor of the tenant farmer. It is the reward received

by the tenant farmer for his industry and enterprise. To call any part of it profit, or to give to it any other name than wages, is needlessly to introduce a confusing distinction. It constitutes, however, the wages of the employer as distinguished from the wages of the employee.

Before discussing the causes which affect the division of the product between employer and employee, it is first in order to consider those which affect the amount to be divided; for the portion to be thus divided depends on what is left after land has received rent and after capital has received interest. In the discussion which follows, therefore, rent will be separated from the total product, interest will be deducted from what is left, and the remainder as wages will be divided between employer and employee. In this way, we can ascertain the causes which affect the ratio of the division among land owners, capitalists, employers and employees, respectively. In the illustration given, wheat, the product of the factors of land, capital and labor, is sold for $2,000; in the division of this product, land gets $300, capital $300, and labor gets the remainder. Thus labor receives $1,400, of which the employer gets $800 and the employees $600.

The product of every wealth-producing enterprise can be thus divided into as many parts as there are factors entering into its production; and since wealth is brought forth by a combination of land, capital and labor, the product is naturally divided in the first instance into three parts only, one representing rent, another interest, and the other wages. Had the tenant, in the case cited, owned the capital which he used, and thus combined in himself the functions

of a capitalist as well as a laborer; or owning the land also, had he combined in himself the functions of landlord, capitalist and laborer, the portions of his income attributable respectively to rent, interest and wages would have been the same, and could have been just as easily ascertained. This has been explained in a previous chapter.

While the division of the product among the factors of land, capital and labor is most easily seen in the case of labor applied directly to the soil, it can nevertheless be observed in all wealth-producing enterprises. Whenever the raw material of one stage is changed into the finished product of the next, the additional wealth thus produced is in effect divided among land owners, capitalists and laborers. The fact that in many instances there is a remaining portion appropriated under exceptions to the general rule, for which no consideration in the performance of service, or in the furnishing of land or capital, is given, such as exceptions arising from special privileges and combinations in restraint of trade and otherwise, has already been alluded to. While it lessens the amount to be divided among the factors of production, it does not affect the ratio of the division.

Take the stage embracing the period from the time when the tenant farmer places the 2,000 bushels of wheat in the warehouse of the nearest railway station until it is delivered from an elevator in a distant city to the flouring mill. During this period, valuable land has been furnished for the storage and transportation of the wheat; land has also been furnished as sites for the buildings in which merchants and brokers have expended mental effort in directing its

transportation and in effecting its exchange for other commodities; land has also been furnished for the houses in which the laborers lived who had handled it, and without which the wheat could not have been moved; capital has also been used in the form of buildings and railway improvements and other appliances, including the houses, and labor, both physical and mental, has been employed in bringing the wheat to the flouring mill, where it is worth, independently of any fluctuation in price, say, fifteen cents a bushel more than when it left the hands of the farmer. In other words, wealth, to the extent of fifteen cents per bushel, has been as effectually produced by labor, and by the use of land and capital, as in the production of the original wheat itself, and added to its original value. This additional wealth of fifteen cents per bushel is as surely divided among the factors of land, capital and labor, each of which has contributed in a measure to its production, as was the original wheat in effect divided among the same factors when it was sold by the tenant farmer for $2,000. The fact that money, instead of wheat, is paid for the labor and for the use of the land and the use of the capital, and that hundreds of thousands of bushels of wheat are handled in connection with the 2,000 bushels, is of course immaterial; and so, also, is the fact that we cannot tell just how many cents of this additional wealth per bushel goes respectively to land owners, capitalists and laborers. It is the fact alone that the division is made which is material; for it is evident, for instance, that a cause which would decrease rent might, under certain conditions, increase the portions going to capital and labor; and a cause which would increase the

independence of employees might, under certain conditions, decrease the employers' portion of the share received by labor.

In the study of the causes which thus affect the portions received, respectively, by the various factors of production, is found, as stated in Chapter V, the key to the solution of the economic problem.

Land is used by capital and labor, as shown above, in producing the finished product as well as the raw material. When the farmer sold the wheat, it was raw material, and wealth was constantly produced thereafter and annexed to it on its journey upon and in connection with land occupied by office buildings, railroads, elevators, flouring mills, warehouses and bakeries, until the wheat was placed on the table of the consumer in the form of bread, in which form it was worth, say, $3.00 a bushel. The owners of this land received pay for its use, and this pay increased the cost of the bread just as did the $300 rent paid to the owner of the land on which the wheat was grown.

This history of a loaf of bread does not differ in any material respect from the history of any other article of wealth. Take the coat, the making of which begins with wool produced by farmers; or the gown, beginning with cotton which farmers raise; take the watch spring, beginning with the ore which the miner brings to the surface of the earth; or take the chair, beginning with the timber which the lumberman fells. In these, and in every other like case, wealth is produced and added to the raw material by means of appliances which come within the definition of capital, and which rest on land, and which are operated by laborers using lands, just as from

wheat bread is made and finally placed on the table of consumers, and in every instance this additional wealth is produced by the factors of land, capital and labor.

The amount of wealth of the character referred to above, produced on non-agricultural land and imparted to the raw material in its conversion into things useful to man, and in delivering them to consumers, greatly exceeds the amount of wealth embodied in the raw material itself as it comes from the hands of farmers and miners. Thus, a bushel of wheat, for which the farmer receives, say, a dollar, is made into sixty loaves of bread, costing three dollars—threefold increase. Meat, for which the farmer gets five cents a pound, is worth perhaps three times that sum on the table of the consumer. A few pounds of wool, for which the farmer is paid but a dollar or less, may be worth from five to twenty dollars, or more, in the coat worn by the mechanic, and the cotton which the farmer raises is often increased tenfold and more in value when it is ready to be consumed as clothing. This is also true of iron ore when it has been worked into things ready for consumption. And so as to numberless other articles, the value of the finished product vastly exceeds that of the original raw material.

If we reflect for a moment on the thousand and one things consumed and in the process of consumption by us in our daily lives, and compare the value of them with the value of the original material from which they have been made, we can hardly fail to reach the conclusion that the aggregate amount of wealth brought into being by artisans, merchants and others of like class, and annexed to the raw

material furnished by farmers, miners, lumbermen, hunters and fishermen, whose labor is applied directly to land, is often in the aggregate many times greater than that of the original articles when first produced. In this connection, it must ever be borne in mind, as already shown, that the labor of merchants and brokers produces and annexes wealth to commodities as certainly as that of mechanics and manufacturers.

From all this wealth the toll taken in the form of rent by those on whose land it is produced, and annexed to the original product, very largely exceeds the rent of agricultural lands. This being true, then the aggregate value of non-agricultural lands ought to exceed the aggregate value of lands in cultivation in approximately the same ratio. Such is, in fact, the case, and if the forces of government were so applied as to insure the natural order in the use as well as in the appropriation of land, probably two-thirds of the lands now in cultivation would have no economic rental value whatever. As it is at present, probably four-fifths of the rent received by individuals is for the use of lands other than those in cultivation. The aggregate burden thus borne by capital and labor in this country now exceeds thousands of millions of dollars annually.* That is to say, in Free America, capital and labor are now, in effect, paying several thousand million dollars every year, not to the government in lieu of every species of taxation, but to individuals, as tribute money for the bare privilege of employment!

One reason for the comparatively slight importance attached by anarchists, socialists and many pro-

*See "Natural Taxation," by Thomas G. Shearman.

fessors of political economy to the influence of the factor of rent in the distribution of wealth is the disposition to associate rent almost exclusively with lands devoted to agriculture. In point of fact, under natural conditions agricultural lands would hardly yield ten per cent of the real economic rent of a country like the United States, while under actual conditions they yield less than twenty per cent. Another reason for ignoring the subject is the fear of encouraging unjustifiable legislation affecting the rights of those who are now permitted to appropriate rent for private use. Progress is often retarded by the notion that truth is sometimes more dangerous than error. But be this as it may, the faithful student will find in the law of rent the law of wages. And he will also find in it the explanation of the social paradox of increasing poverty in the midst of increasing wealth. For it can be seen almost at a glance that if the effect in the long run of inventions and material progress is to add to the value of land only, and thus increase rent without increasing wages, then in this fact is the explanation of the failure of wages to rise in proportion to the increased effectiveness of labor; while the obstacles to employment pointed out in Chapter VIII afford sufficient reason for men who are willing to work being so often unable to find work.

The economic rent of land is the net income which can be derived from its use in a wealth-producing enterprise adapted to its location, after capital has been paid current interest, and after labor has been paid current wages. Rent when capitalized, or the economic value of land, is the equivalent of a sum of money which, if invested at current rates of

interest, would produce an income equal to the economic rent of the land. Thus, if the economic rent is six hundred dollars and interest is six per cent, the economic value of the land will be ten thousand dollars. As already pointed out, however, the price at which land is sold generally exceeds its economic value, since the prospect of an advance in value is usually discounted and added to the economic value.

The rent of land without regard to improvements approximates the excess of wealth which it will yield above the amount which can be produced with the same expenditure of effort on the least productive land in use, and this excess alone increases naturally as the efficiency of the laborer is increased by the aid of labor-saving appliances. In accordance with the law of rent, as stated above, rent, and rent alone, or the value of land, is directly increased in the long run by improvements in labor-saving machinery, growth of population and material progress generally. Further illustrations of this, the most important truth in political economy, will not be amiss.

Suppose there are three tracts of land situated, respectively, one mile, ten miles and thirty miles from market, and that the same amount of capital and labor is applied to each tract, viz: five hundred dollars of capital and the equivalent of one hundred days of common labor. Other things being equal, most wealth will be produced on the first tract nearest the market, less on the second, and least on the third, because of the labor involved in hauling the crops to market. Suppose the amount of wealth produced on the first tract is three hundred dollars,

on the second tract two hundred dollars, and on the third one hundred dollars. Of course, the difference in the value or desirability of the tracts of land, respectively, might as well arise from difference in anything else affecting the value. It is evident that in America, land on which less than one hundred dollars worth of wealth can be produced with the use of five hundred dollars of capital and the application of one hundred days of labor, will remain, or at least ought to remain, uncultivated. It will be assumed in any event, however, that the third tract belongs to the class of land which is the least productive of any in use. Applying the law of rent, as above quoted, to this land, and it follows that the third tract will yield no economic rent, while the second tract will yield economic rent to the amount of one hundred dollars, and the first to the amount of two hundred dollars. Given the prevailing rate of interest, and from this data the economic value of each of the respective tracts can be ascertained. Assuming the rate of interest to be six per cent, and it follows that the third tract has no economic value, while the capitalized economic value of the second tract is $1666, and that of the first is $3333. It will be found from observation that the price ordinarily paid for land, irrespective of improvements on it, is its economic value plus a speculative value often added in anticipation of a future increase in real value. The economic rent of land which is not devoted to agricultural uses can be ascertained in the same way.

Under the law of rent, which is as unvarying in its application as the law of gravitation, the entire advantage from location or quality of land naturally

goes to the land owner, and none in the final adjustment of the rent to either the laborer or the capitalist. A day's labor on the first of the three tracts of land, with the aid of five hundred dollars of capital, produces three dollars' worth of wealth, while on the second tract it produces only two dollars' worth, yet the wages paid employees for work on the first tract are no higher than those paid for work on the second tract. The economic value of the first tract, however, is, say, one hundred dollars per acre, while that of the second tract is perhaps but twenty dollars per acre. When tracts of land thus situated, respectively, are rented, the difference in the rent collected from each is usually such that the tenant on one tract can make no more than the tenant on the other; in the long run, this is always the case.

Suppose that one day's labor applied to land on which a certain coal bed is located will produce on an average fifteen dollars' worth of wealth in the form of coal; yet, in estimating the value of this land, wages at current rates only will be considered; the same is the case as to the rate of interest on the capital necessary for sinking the shafts and operating the mine. In fixing the price of the land without reference to improvements, at, say, a thousand dollars per acre, the estimate as to the share of the product which labor must have will be no greater than would be the case if labor could only produce three instead of fifteen dollars' worth of coal in a day; nor will interest on the capital employed be estimated at any higher rate on this account. Suppose the coal bed, when the employer bought it at the rate of a thousand dollars an acre, was in a

lawless community, abounding in liquor shops, with few schools and no refining social influences, and where life was unsafe, and riots and labor troubles were common; and that, within a few years, a change for the better ensued, and the people became intelligent and law-abiding. It would then be safer and more desirable to invest capital in the employment of labor in this community; there would therefore be a greater demand for coal beds there than otherwise would be the case, and this would increase the price demanded for the land containing them; hence, while neither interest nor wages would rise on this account, land values would. Labor as well as capital would be attracted to such a community, but land owners only in the end would profit by the material advantage directly resulting from the improvements in the intelligence and morality of the laborers.

Again, suppose that, owing to inventions afterwards discovered, twice as much coal with the same labor could be mined as when the unused coal beds were bought at the rate of a thousand dollars an acre. In estimating what would be paid for the land then, however, no more than current interest and current wages would be considered. The difference resulting from improvements in methods of producing coal, which would increase the output without increase of labor, would add to the value of the land, and an employer would then have to pay, say, two thousand dollars an acre instead of a thousand, if the demand for coal remained the same. If the employer were fortunate enough to have bought this land before the improvement in social conditions or in the machinery occurred, he would not on this account pay more as wages or receive more as inter-

est. As an employer, he would continue to pay current wages, and as a capitalist he would continue to receive current interest; but as a landlord, he would demand and receive all the benefit of the increased amount of wealth produced from the causes mentioned, unless prompted to do otherwise by pure benevolence or the fear of a strike. Such increase of rent would be shown in the increased net receipts of the enterprise. Thus, if before the improved machinery was introduced the gross receipts were $10,000, and after its introduction $15,000, with no increase of expenses, $5,000 would represent the additional rent collected by virtue of the labor-saving appliance and improvements in social conditions.

The meaning of the law of rent and the correctness of the definition given is readily seen when the application is made to farming and mining lands; reflection, however, will show that it applies with equal force and constancy to urban and all lands generally. The advantage of location in the city as well as in the country always in the long run goes to the owner of the site on which the business is located, rather than to the man who builds the business up; and while, on an average, misfortune and failure more often perhaps than otherwise overtake the latter in the end, nothing interferes in thriving communities with the steady increase of rent year by year, or at least decade by decade.

What has been said in regard to rent would be proved by experience in every instance if natural conditions alone controlled. If special privileges and the combinations in restraint of trade which usually originate in them were abolished, and if free compe-

tition and the law of supply and demand were allowed full play, all aberrations and apparent exceptions to the law of rent would quickly disappear.

It is not claimed, however, that the immediate effect of every labor-saving appliance, even under natural conditions, would be to enhance the value of land to such an extent as to absorb the entire benefit; ultimate results only are referred to. The first effect of such appliances in many, if not all, instances, is to increase the wages of employers who use them as well as the value of the land on which they are used. The employer, sometimes called an *entrepeneur*, or enterpriser, by orthodox political economists, often reaps a handsome reward for his enterprise in introducing new inventions; but the law of averages, and the effect of supply and demand, sooner or later reduce his wages to the common level, and in the end the land owner gets it all. Thus, in Southern Texas and Louisiana, when the improved methods in the cultivation and harvesting of rice, to which attention has been called, were first introduced, small fortunes were rapidly acquired by employers while land was only three or four dollars an acre. But in a few years these lands advanced to thirty dollars an acre; and then the cultivation of rice was no more profitable than the cultivation of cotton; the wages of rice raising employers fell accordingly, so that land owners in the end reaped the entire benefit.

A novel illustration of the fact that while the employer or the laborer may at first profit from an advantage suddenly conferred upon some special spot of land, the owners themselves quickly reap the fruits of it, was seen in recent years in connection

with one of the slums of London. This particular slum was so vile and so conveniently located as to attract sight-seers in great numbers during the year of the Queen's Jubilee. In consequence of this, alms in extraordinary amounts were distributed among its wretched inhabitants. Dwellers in other slums were thus attracted to this particular one, and fierce competition arose for the chance of sharing in this golden harvest. Since the tenements were rented by the week only, rents at once advanced, and by the end of the season the sums paid for the privilege of living in these miserable dens were fourfold greater than before, and thus nearly all the gifts to tenants were appropriated by landlords. In the same way, the millions of dollars sent by Irish immigrants in this country to relatives in Ireland have simply enabled the landlords of Ireland to demand and receive higher rents than would otherwise have been the case. If, for instance, $10,000,000 were to be systematically distributed, year after year, in charity among the deserving poor of the slums of New York, the only effect of it, after a short time, would be to increase to that extent the rents of the landlords owning the slums. It would have the effect of increasing the demand for tenements in these slums, and this increased demand would increase rent.

And so it is under all circumstances, the price of any tract of land, or the rent paid for the use of it, exclusive of the use of the improvements, always covers every advantage which it may have over any other tract, and from such advantage neither capitalists nor laborers, as such, can derive any permanent benefit—in the end it all goes to the owner in

the additional price charged for it, or for the use of it.

Rent also paralyzes the hand of charity, and renders futile all attempts to alleviate the condition of the very poor by means of benevolence only. Thus the students of a theological seminary in New York, having had their attention called to the cold dinners eaten from proverbial dinner pails by the laborers on a nearby building, concluded to play the part of practical Christians. So they appeared on the works with hot coffee every noon, until the building was completed, and served it to the men gratuitously. This act of kindness was duly appreciated. Suppose, however, it had been universally emulated, and that all laborers working for building contractors in the same grade of employment in New York had been gratuitously served with hot coffee, or better still, with a hot dinner, every day by the charitable rich. This would have been equivalent to, say, a ten per cent increase in wages. Such an unnatural advance of wages would have attracted laborers from other places and from other lines of employment, and competition among them would have quickly reduced wages to the former level. The laborer would then have been no better off than before. In fact, he would be worse off, for his personal dignity and pride of character would have been impaired by the acceptance of the gratuity. The employing contractors would have profited by it at first, however, since it would have enabled them to obtain the laborer's services ten per cent cheaper, just as, from the same cause, the Pullman Car Company is able to hire its tip-accepting porters at starvation wages. The charitable dimes and quarters bestowed upon the porters

are pocketed by the Pullman Company, because it is a monopoly; in the case of the building contractors in New York the value of charity dinners would, in the long run, be pocketed by land owners, since competing contractors would be compelled to erect buildings somewhat cheaper on account of the reduction in wages resulting from this benevolence.

When the law of rent is clearly understood, the reason for the failure of improvements in labor-saving processes to increase wages is easily seen. Thus, to recapitulate: Under natural conditions, wealth is divided wholly among the factors entering into its production, a portion of it going to labor as wages, another portion to capital as interest, and the remainder to land as rent. Labor-saving processes, and material progress generally, naturally enhance the value of land and increase rent only; hence the portion going to land owners is increased without increase of the portion going to laborers and capitalists. It necessarily follows that labor-saving inventions do not increase wages, simply because the natural effect of them, in the end, is to increase land values alone. Since all increase naturally goes to land as increase in rent, none of it can naturally go to labor as increase in wages, or to capital as increase in interest. If land owners get all of it, capitalists and laborers can get none of it. What is more simple than this? Yet it is the fundamental truth on which the science of political economy is based. It is foolish to ignore it, or deny it, or shrink from the consequences which necessarily follow. When all, or nearly all, the profit of anything goes to one man, or one class of men, none, or but little of it, can go to another man, or another class of men. If, under

natural conditions, all the increase of the product resulting from improvements in machinery ultimately goes to owners of ground on which machinery rests, then, under such conditions, none of it can go to laborers for operating improved machines, or to capitalists for furnishing the use of them.

As already stated, the law of rent is also the law of wages, the latter being the corollary of the former. Since, under the law of rent, the owner of any tract of land finally gets all produced upon it in excess of what can be produced with the same expenditure of effort on the least productive land in use, it follows that labor on any land can only get as wages the equivalent of what it could produce on such least productive land. In the sense used, however, labor includes capital, and wages includes interest. This is the case because capital is stored up labor, and interest is wages paid for the use of such labor. See *supra,* pages 39-40. In the last analysis, therefore, wealth is really the product of but two factors, namely, land and labor; and it is divided between them as rent and wages. Thus, the $5,000 worth of capital represented by the tools, teams, buildings, etc., used by the tenant farmer was the product of labor, and its use was the application to land of stored-up labor. The interest of $300 a year, paid for the use of this capital, was wages paid for labor or effort, as much so as the money received by the hired hands; hence "effort," when applied to land, has reference to the labor stored up in the capital used upon it, as well as to the labor of those by means of whose brains and hands the capital is applied. It follows, therefore, that although a certain amount of capital and toil may be applied to

one tract of land, and less capital and more toil to another, or more capital and less toil to still another, the amount of effort applied to each, respectively, is not necessarily different on this account.

Bearing in mind the meaning of "effort" as used here, it is easy to apply the law of wages to the three tracts of land situated, respectively, one mile, ten miles and thirty miles from market. Let it be assumed that this land was subject to conditions largely prevailing in the West thirty or forty years ago, and that the tract thirty miles from market was free land. On the last mentioned tract, the equivalent of one hundred days of common toil and the use of five hundred dollars of capital produced wealth of the value of $100. On this free land, then, a certain amount of "effort" produced one hundred dollars' worth of wealth, and the entire product went to labor as wages, and none went to land as rent. But, as shown in the illustration, while the same amount of effort produced two or three times as much wealth on lands nearer the market, no more of the product went to capital as interest or to labor as wages, because all the excess went to land as rent. Hence the law of wages to the effect that labor (meaning effort) on any land receives as wages only the equivalent of what it can obtain on free land, or the least productive land in use.

The law of wages, as thus announced and explained, states the principle which regulates wages, rather than a rule governing in all cases with mathematical accuracy. For practical purposes, it simply means that the greater the reward of effort, *i. e.*, toil combined with capital, on available free land, or on the least productive land in use, the greater will be

its reward on all land and in all kinds of wealth-producing employment. Or, to put it differently, wages on free land, or the least productive land in use, largely if not wholly regulates wages of all kinds on all lands.

That this is true is abundantly proven by experience and observation. It is not a mere theory, but an indisputable fact. Many of the illustrations already given bear it out, and others of the same kind could be presented without limit. A striking example of it was seen in California in the prosperous days of placer mining. A man, then, with perhaps no more than one or two hundred dollars of stored-up labor (capital), represented by his burro and the provisions and rude tools which it carried, went into the wilderness, staked off his claim, applied his own toil and capital to free land, and produced on an average $16 worth of gold per day. Here, "effort," represented by $200 worth of capital and one day's toil, produced on free land $16 a day, all of which the laborer retained, none of it going to a landlord. So long as the reward for this amount of effort averaged $16 per day on free land, it is evident that the same amount of effort would not be applied for a less reward approximately on any nearby land. Some men with an equal amount of capital would perhaps prefer to work in town for a reward of $10 per day, rather than put forth the additional effort necessary to overcome the hardships of the wilderness; but the fact that the wages of Effort were enormous when applied to free lands would make them enormous when applied to other lands. With unlimited free land at hand, landlords could not, by

advancing rents, compel Effort to accept less on their land than could be made on free land.

While the placer miner averaged $16 a day, the wages of common laborers in California were $5 a day and upwards, and ordinary mechanics earned from $10 to $20 a day. Suppose the returns from placer mining had risen from $16 to $32 per day; it is evident that the scale of wages on all nearby lands would have quickly doubled. Or suppose the returns had fallen to $8 per day; it is equally apparent that wages generally would have dropped accordingly. Such rise or fall in wages would have been in accordance with the law of wages, to the effect that the greater the reward of effort on available free land, the greater will be its reward on all land. In fact, this actually occurred in California. As the placer mines became exhausted and the average earnings of Effort on free land fell, the reward of effort or wages generally on all lands also fell.

In the United States, for many years, available free lands were abundant. A man with, say, a thousand dollars or even less, could settle on a quarter section of such land and make a bountiful living for himself and family, none of the wealth produced by him being given up to any landlord. It would be absurd to suppose that with such openings for the employment of capital and labor, a farmer would be content to rent land or buy it from another, unless he could make as much upon his entire investment as upon free land. Hence, the owners of private land were forced to sell or rent in competition with free land, and the price demanded for privately owned land, or for the use of it, was always necessarily low enough to enable Effort to make approxi-

mately as much upon such land as upon nearby free land. Wages generally, of both employer and employee, including the rewards of effort of every kind, were, therefore, higher for this reason in the United States than in the older countries of Europe where there were no free lands.

The application of the law of wages in communities where there are no available free lands is as easily made. Thus, suppose our three tracts of land were in England, and that the equivalent of the one whose location is thirty miles from the market, instead of being free land, had a rental value of $25. The net reward of effort on this, the least productive land in use, would thus be $75 instead of $100. But Effort could get no greater reward on the other two tracts, since all produced on either of them, in excess of $75, would go to land as rent. If for any reason the net reward of Effort on the least productive tract were doubled, it would be doubled on the other tracts also, and wages on all lands would rise accordingly, just as from the same cause wages rose in California in the early days of placer mining.

But why is it that rent free land is not to be found in England? It is not because of any real scarcity of land, since, as has been shown, there is an abundance of unused or but partially used land in that country. It is because the forces of government there, as everywhere, are so applied as to press the margin of free land into remote wildernesses so far from centers of population that the rewards of Effort upon it are seldom more than sufficient for a bare subsistence. Labor in England and on the Continent is farther from free land than labor in America, and for this reason the workers of Europe are com-

pelled to submit to a lower standard of living, especially as regards unorganized labor. Effort, therefore, accepts $75 in Europe when it would insist on having not less than $100 in America. The fact, however, that there are other countries in which the rewards of labor on the least productive land in use are greater than in Europe, prevents the standard of living in Europe sinking to still lower levels, since emigrants seek such countries. Thus it is that free lands and cheap lands elsewhere to some extent compete with the dear land of Europe, to the benefit of the laborers of Europe who do not emigrate, thereby lessening competition among laborers there. In the United States and in some of the English speaking colonies of Great Britain, land is rented and sold in competition with free land and immense quantities of low priced unused lands; hence land owners in these countries are unable to appropriate so great a percentage of the product as the land owners of Europe; and here, again, the law of wages is proven by experience as well as theory, for wages are in fact higher in the United States and in the colonies referred to than in the countries of Europe.

Suppose an island, as large as Europe, and with a soil equally fertile, were suddenly to appear in the Atlantic Ocean; also that taxes on this island were so adjusted that no land could be profitably withheld from the use to which it was approximately best adapted, and that hence unused land would continue to remain free land until put into use. Can one doubt that wages all over Europe would at once advance enormously, provided laborers and small capitalists were free to emigrate to this island? Land in Europe would then have to be rented or sold

in competition with easily available free land, and hence the land owner's percentage of the product would be decreased and Effort's percentage of it increased.

The opening up of cheap if not free lands in Siberia was having precisely this effect on the wages of laborers in Russia, when the government of that country for this very reason put a stop to it in 1900. In that year it was decreed that peasants should only be permitted to purchase 30 acres of government land to the family in Siberia, while members of the nobility were allowed to purchase 6,000 acres apiece, at 50 cents per acre. The plan recommended by Edward Gibbons Wakefield, nearly a hundred years ago, for producing "a salutary scarcity of employment," was thus frankly and brutally adopted by the autocracy of Russia.

Since bringing available free land into competition with privately owned land must result in increasing the rewards of effort on all lands, it follows that if the forces of government in Europe, for instance, were so applied as to accomplish this result with respect to the unused lands of Europe, it would have the same effect on wages as the appearance of a new continent of nearby free lands. This would be so because, as already shown, one-fourth or more of the area of Europe can be classed as unused lands, much of which would speedily become free land if it were made unprofitable to withhold land from use entirely, or from the use to which it was approximately best adapted. So, also, if the forces of government were so applied in America that the second of our three tracts of land referred to in the illustration—the tract ten miles from market, on which Effort pro-

duced $2 per day—were brought within the class of the least productive lands in use, the net rewards of effort upon such lands would be doubled. If this were done, then most of the agricultural labor of the country would be concentrated upon lands not less productive, and the margin of free land in the community in which these tracts were situated would thus be drawn from thirty miles to within ten miles of the market. In other words, the distances between free land and the centers of population would be reduced, and hence the net rewards of effort on free land would be increased and wages on all lands and in every line of industry would be advanced accordingly. This increase would not only be the case as to wages in America, but if immigration were not restricted, it would to some extent increase wages in other countries also. Hence the rule already stated, that the greater the rewards of labor on the least productive land in use, the greater will be its reward on all lands.

CHAPTER XIII.

THE DISTRIBUTION OF WEALTH—Continued.

CAUSES AFFECTING THE DIVISION OF WEALTH BETWEEN CAPITALISTS AND LABORERS, AND BETWEEN EMPLOYERS AND EMPLOYEES.

AS progress is made in the arts and sciences, the unnecessary is eliminated. The movement is from the complex to the simple. The rotary, applying steam directly to the shaft to be revolved, takes the place of the reciprocating engine with its complicated attachments. In the same way, the real science of political economy, eliminating needless terminology, wastes no energy tracing distinctions between capital, for instance, and "fixed capital," "circulating capital," "productive capital," "consumptive capital," "capital goods," and "economic goods;" or between employer and "entrepeneur" or "enterpriser," between rent and "rent bearers," or between production and "inherent productivity," "diminishing productivity," "uniform productivity," "absolute productivity," "effective productivity," etc.*

Beginning with a few clear and comprehensive definitions, and insisting that wealth can only include things produced by human toil, it assumes that the object of political economy is to determine the nat-

*See "The Distribution of Wealth," by John B. Clarke, Professor of Political Economy at Columbia University; a typical text book on political economy for schools and colleges.

ural laws which control the distribution of these things, and the effect on such distribution of man-made laws; that since capital is stored-up labor, wealth is the product only of the factor labor applied to the factor land; that this product is naturally divided between these two factors only—rent to land and wages to labor, interest being but the wages of stored-up labor; that rent is tribute extorted by privilege, while wages is reward bestowed upon effort; that under present conditions, all advancement in the arts and sciences, in labor-saving processes, in good government, in public and private morality, increases the tribute extorted by privilege without increasing in a corresponding degree, if at all in the long run, the reward bestowed upon effort;* that the portion of the reward of effort which goes to labor as wages is divided between employer and employee, and that this is so, even when the worker is his own employer. Showing the causes in the first place which affect the division of wealth between land owners on one hand and capitalists and laborers on the other hand, it next in natural sequence treats of the causes affecting the division between capitalists and laborers, of the portion going to capital and labor, and then between employer and employee of the portion going to labor alone.

But little now remains to be added to this chapter.

Capital is something which in itself is dead and inert. The capitalist is simply the owner of capital, just as the landlord is the owner of land; the former receives interest for the use of capital, just as the

*In other words, it makes land more valuable without increasing rates of interest or the wages of employers and employees.

latter receives rent for the use of land. Supply and demand regulate both interest and rent. With increase of population and improvement in the arts, the demand for capital increases, but there is no increase in rates of interest, because the supply of capital increases as fast if not faster than the demand for it. Every additional emigrant coming to this country, as well as every child born here, has two hands with which to produce capital, and all inventions and improvements which make it easier to produce wealth tend to increase the amount of capital. Not so, however, as to land; the demand for it is constantly increasing, but the earth's surface cannot be increased to the extent of a single acre; therefore, although rates of interest may fall, rent must rise. While there is a natural monopoly of land which becomes more intense as population increases, there can be no natural monopoly of capital; since, with free access to unused land, labor speedily creates and accumulates its own capital.

In new countries two things combine to make interest rates higher than in old and thickly settled ones; the scarcity of capital and the attractive opportunities for its investment resulting from the cheapness of land. While high rates of interest attract capital from one locality to another, the real or supposed insecurity of its investment in new countries, where the demand for it is greatest, retards its flow to such countries, and delays the establishment of a common level of interest between countries or communities in which land is cheap and those in which it is dear. But the rapidity with which wealth is produced, when labor has comparatively easy access to the bounties of nature, brings about a rapid in-

crease in the volume of capital in countries where this is the case, and reduction in rates of interest quickly follows. Thus, in the United States today, while labor is better paid, and the rewards of effort on the least productive lands in use are greater than in England, the government borrows money for 3% and less, and rates of interest generally are little if any higher than in that country, when the security is equally as satisfactory. A comparison of rates of interest and wages in New Zealand with those in England leads to the same conclusion. While it is true that the high price of land, and especially of unused land, tends to reduce rates of interest, because of its paralyzing effect upon industry, nevertheless the removal of the obstacles to employment, to which attention has been called, would ultimately, as already shown, so enormously increase the wage fund or permanent wealth of the world that rates of interest, with increase of wealth, would inevitably decline. Therefore, if rent were appropriated by taxation and equitably distributed in defraying the expenses of government, labor-saving machinery and improvements of every character would result in directly increasing the portion of the product going to labor, including the wages of employees as well as those of employers.

Employers who are mainly interested as laborers and capitalists (using their own or borrowed capital) must be considered apart from those who derive important advantages from rent, or from special privileges or combinations in restraint of trade. The price of the product charged by them is fixed by monopoly, and where this is the case, fluctuations in wages have little to do with the price demanded.

Thus, while the mine-owning employer gets more for coal now than he did twenty years ago, he pays his employees no higher wages; in fact, as a rule, miners probably are paid less now than formerly. A general increase in wages, however, is often used as an excuse by monopolists for advancing prices, and any argument in favor of destroying monopoly, or regulating its charges, is frequently met with the assertion that a reduction in prices would cause a reduction in wages; nevertheless, there is no real connection between wages and the prices of articles controlled by monopolies, or the charges made for services rendered by them. A reduction in the wages of employees of a gas company is never caused by a reduction in the price of gas. The employer, whether a monopolist or not, pays as little as he can, and a gas company reduces the wages of its employees whenever it can, whether forced to reduce the price of gas or not. The wages of an employee depends, not on what his employer can afford to pay, but on what he is compelled to pay. This is the natural relation of employer to employee, though it is often tempered by kindness and sympathy.

A tariff-sustained trust may enable an employer to sell steel rails at double the cost of manufacture, and to accumulate an individual fortune of hundreds of millions; but the laborer who assists in manufacturing protected rails receives no higher wages than his fellow-laborer across the way who assists in making unprotected brick. Were, for instance, the tariff of 75 cents per ton on anthracite coal removed, so that the coal of Nova Scotia could compete with that of Pennsylvania, coal could be cheaper; but the wages of miners would not fall on this account. A reduc-

tion in the price of coal would simply reduce the profits of monopoly, including the incomes of those who own the coal beds; but, since a reduction in the price would be followed by an increase in the consumption of coal, the demand for the labor of miners would be increased, and this would have a tendency to enhance rather than to reduce the wages of miners.

When the quinine monopoly was destroyed by the removal of the tariff many years ago, there was no reduction in wages. On the contrary, the reduction in the price of quinine from several dollars an ounce to but seventy-five cents, stimulated its consumption, and more than doubled the number of laborers employed in its manufacture. It is absurd to suppose that the putting of typewriters, for instance, on the free list would affect the scale of wages paid by the typewriter trust. In fact, if the trust sold typewriters in this country for $65, the price at which it sells them abroad, a greater number of typewriters would be used, and the demand for labor employed in manufacturing them would be increased; and this would also tend to enhance rather than depress wages. If street car companies in great cities were allowed to charge but three cents where they now charge five, the effect would simply be to render the franchises of these companies less valuable. Stockholders could not recoup themselves by reducing the wages of employees. On the contrary, a reduction in the price of the service would tend to increase wages, since the increased amount of business brought about by the reduced rates would increase the demand for street car employees. In the same way, if vesting the Interstate Commerce Commission with power to fix rates would have the ultimate effect

of reducing freight and passenger charges, the business of railroads would be to some extent increased. This would necessitate the use of additional railroad employees; hence, while reduction in rates might make railroad companies less able to pay prevailing wages, the necessity of employing more laborers would increase rather than decrease the difficulty of reducing wages.*

And so, as could be shown by numberless other illustrations, in every enterprise in which the price of the product or the price of the service rendered is not fixed by free competition, a reduction in price can in no way affect wages; it can only lessen the margin of profit to the land owner and the monopolist. This is so because, while the price of the product is arbitrarily fixed by a monopoly, the wages of employees are fixed, not by the demand for labor on the part of a few employers, but by the demand on the part of all employers, and the few must accommodate themselves to the scale of wages established by the general demand, whether they feel that they can afford to do so or not.

Considering now the employer as an employer only, or, in other words, as a laborer who employs other laborers and who uses his own or borrowed capital, it will be found that his wages (popularly called profits) are not in the long run lessened by a general rise, nor are they increased by a general fall in the scale of wages of employees. In this connection, reference is of course made to the portion of the employer's income attributable only to interest

*The great reduction in railroad rates in Texas, brought about many years ago by a fearless railroad commission, did not lessen the wages of railroad employees in that State.

and to labor; it does not include the portion which may be due to rent, or to special privileges, or combinations in restraint of trade. When the wages of carpenters, plumbers and painters, for instance, are either increased or decreased, employers regulate their bids accordingly, and the contractor's profits or wages are unaffected. And this is so as to merchants and manufacturers and employers in all enterprises in which the price of the product is regulated by the cost of the labor employed in producing it. In fact, as a general rule, the profits or wages of employers are highest in countries where the wages of employees are highest. Thus, employers make greater profits, or higher wages, in America than in Europe, although employees are paid more here than there.

The non-monopolistic employer is forced by competition to reduce the price of his products to the lowest point which will admit his remaining in business. And vast numbers of employers, after losing more or less capital, are being constantly forced out of business altogether. It is impossible for competitive employers to pay more than current wages; and when one competitor succeeds in reducing wages, all are compelled to do likewise; for, however well disposed an employer may be, he cannot avoid the effects of the law of rent and the law of wages. If he attempted to do so his competitors would quickly force him out of business.

The wages of employers, as such, when the losses of the unsuccessful are taken into account, are not excessive. The average income of a business man, if it includes only interest on the capital used and payment for services rendered, is no more burden-

some to employees than interest paid for the use of labor-saving machinery. The law of supply and demand fixes the wages of the skilled manual laborer at considerably more than that of the unskilled laborer; yet it doubtless gives to each approximately the correct proportion of the wealth which he produces, reference being had not to the amount of the wealth to which each may be entitled, but to the proportion in which it is divided between them. And so, as between the employed laborer and the employing laborer, the same law of supply and demand probably fixes the compensation of each, near the point which gives to each the proper proportion of the wealth produced by each respectively. If the scale of wages generally were raised in the manner suggested in this work, the wages of those who employ as well as of those who are employed would be raised; but, on account of the general improvement in morals, education and intelligence which would then follow, the same law of supply and demand would, in the end, decrease the difference between the wages of skilled and unskilled and employed and employing labor. This would come about because the proportion of laborers qualified for the highest character of service, and to whom capitalists could safely intrust the use and management of capital, would be increased.

When Friday landed on Robinson Crusoe's island, Crusoe, we will say, owned every foot of it except the highways, together with exclusive piscatory rights, including the oysters and clams on the seashore. Crusoe, on account of his superior mental and physical powers, might have made a chattel slave of Friday, but there was no necessity for it.

Crusoe's ownership of all the land gave him all the advantage of the slaveholder, with none of the slaveholder's responsibilities or qualms of conscience. In kindness of heart, therefore, Crusoe arranged to give Friday work, and in order that he might be abundantly supplied with this blessing, he fixed his wages at the equivalent of a dollar a day for twelve hours of it, which was just sufficient to keep Friday in good working order, provided he put in six days' work in every week. Crusoe then told Friday that it was a free country, and that he, Friday, was a free man, and as such could work for a dollar a day or not, just as it suited him. Since Crusoe owned all the land, Friday had the free man's right to starve on the highway or work on Crusoe's terms, and so he went to work. When labor-saving machinery was introduced, which more than quadrupled the wealth which Friday produced, who, except Crusoe, by any natural law, could get any advantage from it? Crusoe could still pay the current wage of a dollar a day and pocket four times as much wealth produced by Friday. Friday, however, would begin after a while to feel vaguely that there was something wrong in the system which gave Crusoe all this increased wealth produced by labor-saving machinery, while he, Friday, had to work just as hard as ever; and, having learned to read and write and do a trifling amount of thinking, Friday would get sulky and form a labor union and go on a strike. This would make it uncomfortable for Crusoe, although he could hold out and starve Friday into abject submission if he chose to do so. But rather than go to this extremity, and provoke the rioting and bloodshed which would surely follow, he would

make a compromise of it, and so probably reduce Friday's hours of labor a trifle and perhaps raise his wages a little. But trouble between the employer and the employee would not end with this. Friday would always be sulking and demanding more, because he would be becoming more intelligent, although for a long time the real cause of the failure of his wages to advance with the increasing amount of wealth produced would not dawn upon him. Friday's discontent and restlessness, brought about to some extent by "agitators," would, from time to time, secure small advances in wages and slight reductions in hours of labor. This would not be accomplished naturally, but arbitrarily, as the result of constant warfare and bickering, accompanied by immense losses from strikes and lockouts, causing bitter feelings between the employer and the employee.

Now, suppose the land on this island had been owned by a thousand Robinson Crusoes instead of but one, and that there had been ten thousand Fridays instead of but one Friday, and that conditions there were the same as in the world today, some of the Fridays being out of work all the time and at all times ready and anxious to get the places of those who had work. Why would not competition alone, among those who must have jobs, when there were not jobs enough for all, reduce wages and keep wages at the point at which the common laborers could barely subsist, no matter what might be the increased amount of wealth produced with the aid of improvements in labor saving appliances? Would not this inevitably be the case, even in the absence of any formal combination or agreement on the part of

employers fixing rates of wages? And this being so, there would then be practically thousands of slaves and hundreds of slave-owners, instead of one slave and one slave-owner. How could such slave-like conditions be ameliorated except by combinations of laborers? Combinations which, of course, many sincere and liberty-loving people would denounce and endeavor to suppress by law.

Let the thoughtful reader ask himself in what respects the situation above described differs from that which exists in the industrial world today. As already shown, employers are divided into two general classes; the unprivileged employer of the one class, being little more than a laborer himself, has nothing to gain by the lowering of the scale of wages; the privileged employer of the other class, however, has everything to gain by it, because his interests, as the owner of valuable land, or the recipient of other special privileges, exceed his interests as a laborer and a capitalist. Unprivileged employers, however, being unable to see beyond the first effects of a reduction of wages, and having no knowledge of the underlying cause which tends to grind themselves down as well as their employees, and in fact being powerless to do otherwise, join hands with privileged employers in efforts to prevent an increase or bring about a decrease in wages. In this, they are assisted by the natural tendency of wages to fall with increase of population, coupled with an artificial scarcity of land.

We are always hearing of the struggle between capital and labor, when in point of fact it is never between capital and labor, but always between those who are principally interested as the owners of val-

uable land or as the recipients of special privileges on the one side, and those who own capital and those who perform labor on the other side. The real interests of capital and labor are, in the very nature of things, harmonious, but always, in point of fact, antagonistic to landlordism and monopoly.

Under present conditions, the tendency of wages of employees to fall can only be resisted by trade unions, and by public sentiment, which favors the paying of a living wage. These powers of resistance have so far, to some extent, prevailed as to skilled manual labor, which can more easily protect itself by combinations, and in many instances hours of labor have been lessened and wages of employees increased. But the struggle against advancing population and an artificial scarcity of land must finally prove a hopeless one. Labor unions, strikes, boycotts, riots, and even bloodshed, can accomplish little in the end against the irresistible law of rent. From the very nature of rent, as heretofore shown and illustrated, it follows with mathematical certainty that the wages of a large and constantly increasing class of laborers must ultimately fall, even in this country, to the starvation point, and the tendency in this direction, under existing conditions, will become more and more marked as the price of unused land increases.

What of hope has the future then in store for the average working man? There is no hope for him under present conditions. Yet we are all the time, with accelerating ratio, inventing more and more wonderful labor-saving machines; we are thought to be on the very eve of discoveries which will revolutionize industries and increase the total output of

the comforts and luxuries of life almost beyond the power of the imagination to conceive. But the lot of the average working man will not improve. With increase of population, it will grow worse and worse —even here in America. The present industrial system contains in it no promise of relief in the future to its millions of victims; it holds out to them no hope of beneficial participation in the glories of an advancing civilization. The ability of the laborer to produce wealth may be multiplied ten-fold or a hundred-fold, or even a thousand-fold, by further and yet more and more wonderful improvements in labor-saving devices, but this will not change the iron law of wages. Armies of unemployed seeking work and unable to find work will then as now compete for employment against the employed, and continue in the future as in the past to drag wages toward the starvation point, while millionaires, and billionaires even, increase and multiply.

CHAPTER XIV.

THE ULTIMATE REMEDY.

AND WHY IT SHOULD BE CONSIDERED BY THE POLITICAL ECONOMIST.

FROM what has so far been shown it is evident that the failure of labor-saving machinery to bring about a vast change for the better in the condition of labor is due to the fact that such improvements increase rent without increasing wages. It is also equally clear that one of the reasons, if not *the* reason, why men willing to work are so often out of work, is because individuals can profitably withhold valuable land from use entirely, as well as from the use to which it is best adapted. Having ascertained the cause, the remedy is obvious. It consists in a simple change in the application of the taxing power of government. The question to be first determined, in this connection, however, is not whether the change could be justly made, but whether it would have the effect intended. Should this be decided in the affirmative, it will then be in order to show, if possible, how all who own land and who have invested the fruits of honest toil in its purchase can be suitably compensated for the loss of the privileges which its ownership now confers. But whether this be shown or not, the discussion of the remedy which must ultimately be adopted will, in any event, bring out more clearly the underlying

cause which accounts for low wages and involuntary idleness.

When industrial conditions shall have been regulated in harmony with natural laws, everything which increases the ability of man to produce wealth will necessarily increase the wages of the laborer. Mechanical inventions will then lighten the toil of the working man and add to his happiness and independence. He will no longer look upon them with doubt and trembling, for his wages will keep pace with the increase in the wealth-producing power which labor-saving processes confer. Nor will he dread the competition of his fellow laborers, for no obstacle will then prevent the use of the unused natural opportunities for employment abounding on every hand. Until such conditions prevail, labor will never be satisfied, for neither the moral nor the natural law can be fulfilled so long as progress in the arts and sciences fails to benefit directly all who toil.

Socialists insist that the only way in which the laborer can retain the wealth which he produces is through control by the government of all the factors of production, including capital and labor as well as land. Failing to realize that liberty is the dearest of human possessions, the socialist dreams of substituting the benevolent tyranny of a bureaucracy for the selfish tyranny of individual employers. Failing to appreciate the fundamental distinction between ownership of land and the ownership of things produced by human labor, or between the values created by the individual and those created by the community, he confuses capital with privilege and assumes that justice will only be reached when individual ownership of both is abolished.

The teachings of the political economists of the new school, however, differing from those of the socialists, may be summed up as follows:

FIRST. Every individual can, without injury to others, and in harmony with natural law, appropriate to himself all the wealth which he produces, be it ten times or a hundred times greater than that produced by another.

SECOND. The natural law demands equality, not in the enjoyment of the rewards of effort, but in the opportunities for applying effort, it being the concern of the State, as Ida M. Tarbell says, to see that men have equal opportunities to carry on enterprises rather than to conduct enterprises for them.

THIRD. Land—the earth—is in effect a great storehouse, filled to overflowing with treasures provided by nature for the equal use and enjoyment of all mankind, and human laws which permit some men to extort tribute from other men for the privilege of access to these treasures violate natural law; hence the confusion, waste and distress which at present characterize industrial conditions.

FOURTH. Obedience to the natural law, with respect to the bounties of nature, can be secured by requiring all who enjoy the privilege of the exclusive possession of any portion of the earth to pay, in the form of a tax for the support of government, approximately what such privilege is worth.

Political freedom does not in itself prevent industrial slavery. Whatever the form of government, material progress under present conditions only increases the dependency of the employee upon the employer, while with the spread of intelligence the employee becomes more and more discontented with the slave-like conditions under which he is compelled to toil. To escape the tyranny of the employer, the employee submits to the tyranny of the labor union.

The struggle for freedom, however, will not down. From the turmoil and suffering in which the labor situation is now involved, peace must finally be evolved; that it will be the peace of freedom, and not of slavery, is the conviction of all who believe in the ultimate triumph of righteousness.

Let us, therefore, postponing consideration of the method of its accomplishment, which perhaps cannot be predicted with certainty, imagine conditions which would prevail when the inalienable right of every man in the use of the gifts of nature, including land as well as air and water, is at last recognized by law and custom. Land will then in effect be nationalized, but individuals will continue to own it. The people, while enjoying the benefits of government ownership, will escape the evil connected with such ownership. There will then be no such thing as taxation. The words "tax" and "taxation" will remain, but taxes and the burden of taxation will in reality have been abolished. The rent which individuals now appropriate will then be appropriated by the government, and collected in the form of a direct tax on land alone, according to its value, regardless of improvements. Rent, or in other words privilege, only will be taxed. The revenues thus derived from the rent of land will be sufficient to enable the government to dispense with every species of taxation now practiced. All who then pay taxes will in effect simply pay the government rent for the land on which the taxes are levied. While individuals will continue to hold the legal title to land, the beneficial ownership will be in the people at large. The values created by the community will then go to the community; now, individuals appro-

priate these values which others create. No change in the machinery in use at the present time for collecting direct taxes will be necessary. The tax will be so adjusted as to take neither more nor less, approximately, than the economic rent of land; therefore, there will be no profit in the mere ownership of land. As land increases in value the tax will increase, and the unearned increment will go to the government, as it now goes to individuals; hence unused land will be free land, and there will then be no profit in owning land without devoting it, by means of appropriate improvements, to the use to which it is best adapted. Land will continue to be bought and sold, and it will descend to heirs and devisees just as it does at present; but the selling price will not exceed, approximately, the value of the improvements on it. Private property in things produced by human toil will be even better safeguarded than at present, for no man will be permitted to take a portion of another man's earnings for merely assenting to the other's employment.* Equality in the use of the bounties of nature will thus be attained. For those who enjoy the privilege of the exclusive possession of any portion of the earth will then pay in the form of a tax what the privilege is worth, while those who do not enjoy such privileges will pay no taxes; hence the burden of taxation will no longer fall upon industry and enterprise.

An illustration of what might be made universal is seen in the section of school land formerly belonging to the State of Illinois, on which a portion of the City of Chicago is now located. The small remnant

*See Chapter IV, on The Nature of Rent.

of this land still owned by the State has for many years been leased to private parties on terms providing for perpetual renewals and with no restrictions against subleasing. The lessee was required to pay as rent six per cent of the value of the land, exclusive of improvements on it, the land to be re-appraised every five years. As the land increased in value the rent increased, and the ground rent collected by the government in this way amounted approximately to the economic rent of the land, according to the definition of economic rent heretofore given. The lease being perpetual, the lessee is as secure in the ownership and enjoyment of the improvements on the land as he would be if he owned the land in fee simple. The government as a landlord took approximately the entire economic rent and used it for the support of the public schools. The situation was the same, however, as if the State in the first instance had deeded the land outright to the original lessees, reserving as a condition to its continuous enjoyment the payment of an annual tax of six per cent on its value as unimproved land.

The lot occupied by the Chicago Tribune building is a part of this school section, and until recently was leased in this manner to the Chicago Tribune Publishing Company. When last appraised, it was valued at $789,600. Six per cent of this amount, or $47,000, would have been the annual ground rental under such appraisement for the ensuing five years, had not the tenure been changed. The building on the land is worth a million dollars, and its owners would thus have paid the State $47,000 a year for the privilege of the exclusive possession of the land which the building occupied. It would not have

occurred to them, however, that they were paying any tax in this connection, since they were receiving the use of land worth $780,000, which the people of the State of Illinois owned. But had the land been granted by the State to the Tribune Company, and its successors and assigns forever, with a reservation to the effect that it should be perpetually subject to the payment of a direct tax sufficient to absorb the entire economic rent, the same thing would have been accomplished. The use of the word "tax" instead of the word "rent," and the omission of all reference to leasing, would have made no difference. No one holding land under such a grant would feel that he was paying anything more than rent when he paid in the form of a tax the equivalent of rent. And so it will be when all are permitted to use the bounties of nature on equal terms.

As already shown, when the values produced by society at large are thus appropriated for governmental purposes, land, exclusive of improvements, will have no selling value. The value of the ground itself will add nothing to the purchase price of real estate. Since land will have cost its owner nothing, the so-called tax which he will pay for the privilege of its exclusive possession will, in fact, be no tax at all; it will simply be rent collected as taxes are now collected. It will be a tax in name only.

Had all of the 640-acre school section been conveyed gratuitously to private owners in the first instance, on terms requiring the payment of the economic rent to the State in the form of a tax, the people of Illinois would now be enjoying an income from it of over $20,000,000 a year. The improvements on this section of land would have not been

any less extensive or less valuable, nor would the city have grown less rapidly. The buildings on the remnant of the land held under leases of this character are fully up to average of those in the same neighborhood on privately owned land. The Chicago Savings Bank, recently completed at a cost of $650,000, stands on school land thus leased in this way to that institution. The State now collects as taxes a portion of the economic rent; why should the possession of land be less secure if the State collected all of it? And if improvements were not taxed, why would not men be even more inclined to improve land, especially since no capital would then be sunk in its purchase?

Under the present system, if the owner of land fails to pay the taxes levied against it, he loses his improvements as well as his land; this would not be the case, however, under the system which must ultimately prevail. When ground rent only is taxed, it will be practicable to provide for fully compensating the previous owner for all improvements on land sold for taxes. And not only so, but an automatic check will always guard against the levy of taxes in excess of economic rent. All of this is clearly explained in "Natural Taxation," by the late Thomas G. Shearman, in the following paragraphs, which are quoted in full:

"When taxation is levied exclusively upon ground rent every man will have, for the first time in human history, an absolute and indefeasible title to all of his property which is the production of human skill and industry, subject only to the right of the State to take it, upon making full compensation for its value. Such compensation would enable the owner to

replace the property thus taken with other property of the same description and value. This general right of the State is practically no limitation upon the absolute right to individual property.

"It is perfectly plain that no one has any such right at present, and that no one can have it, under any existing system of taxation. For, so long as the State assumes the right to tax anything besides rent, it is impossible for any man to retain the entire fruits of his own industry. Every year the State will deduct something from those fruits, under the name of taxation; and no one can ever foresee precisely how much will be taken in this manner. The fluctuations, both in the amounts and methods of such taxes, are so great and incalculable that no one can have any reasonable certainty as to the extent to which his earnings will be secure against the demands of the State.

"But if taxes were once confined strictly to ground rent, all this would be changed. Chattels of every description would of course be absolutely secure; since the only remedy which would be allowed to the State for the collection of taxes would be the sale of some exclusive privilege on land. But buildings and all other improvements on land would be equally secure against all taking without compensation. This is not at first sight so clear; and it needs, therefore, fuller explanation.

"The exclusive tax upon ground rent would lose its entire character if the State were allowed, under any pretense, to collect it from personal property or improvements. It is a fundamental condition of such a tax that it be collected only out of rent. It must, therefore, when payment is refused, be collected only by selling the control of the taxed land to some person who will not only pay the tax, but will also pay the land holder, thus sold out, the full value of all of his improvements. If no one will pay the tax, subject to those conditions, that is conclusive proof that the tax is too high, and that it is in

reality based upon an assessment including other values than the mere value of the land. The purchaser in such case would, of course, take the land, subject to the annual liability for taxes; but he would also acquire the same absolute title to improvements which the previous possessor had; so that he, in turn, could not be sold out for taxes without full compensation for improvements. Thus no one would ever pay taxes upon the value of any other property than the bare land.

"Universal experience has demonstrated that there would not be the slightest difficulty in carrying such a system into practical operation. This system has long been in operation, upon a great scale, both in public and private affairs. Wherever ferry franchises belong to a municipality, as in the city of New York, such franchises are sold at auction, at intervals of five or ten years, always subject to two conditions: first, the payment of rent to the municipality; and second, the payment of full compensation to the former holder of the franchises, for boats, piers, houses, and all other structures and materials used in operating the ferry. Street railroad franchises are sold in the same manner, for terms of years, by every honest municipal body having control of the subject.* So landlords constantly lease their land for terms of years, to men who erect expensive buildings thereon; the landlords covenanting to pay the value of such improvements upon the expiration of the lease. There is no more difficulty in providing for an annual sale of land, if necessary, subject to these conditions, than there is in providing for a sale in every five, ten or twenty years. A ferry franchise is just as much a title to

*"The conception of a really incorruptible city council will seem, to most American readers, too wildly improbable for the basis of even a theory. But effete Europe is so far behind us in the grand march of civilization, that such Utopian bodies are quite common there; and the method of the text is common also."

'land,' within the meaning of the law, science and common sense, as is any other land title whatever.*

"Of course, the valuation of improvements would be made upon a common sense basis. The landowner, upon making default in taxes, would be entitled to just as much compensation for his buildings as those buildings really added to the market value of the land on which they were built, but not more. If, as often happens, an expensive building had been put up in a district where it could never be of any use, nothing should be allowed for it beyond the value of its materials, after it had been pulled down. But for any really useful building, compensation would be allowed, sufficient to enable the owner to put up a similar building, in similar condition, upon an adjoining tract of land. In short, whatever loss the owner of the building incurred, by reason of his own mistakes or extravagance, he would be left to bear; but whatever value belonged to the building, exclusive of the land underneath it, he would invariably be allowed to retain."

No difficulty will be experienced in so fixing the amount of the tax as to take approximately the whole of the economic rent of any tract of land. A few illustrations will make this plain: My neighbor owns a single lot, which, with the dwelling house improvements on it, rents for $400 a year. The improvements are appropriate to the location, and are worth $3,000. The prevailing rate of interest in this community, when the security is ample, is 5%. Allowing 5% interest on the value of the improvements, and say, $125 a year to cover insurance, repairs, renewals and the expense of collecting rents from tenants, etc., and the economic rent of this lot is, approximately, $125 a year. It is $150+

*Benson v. New York, 10 Barbour, 223, 233.

$125=$275; $400—$275=$125. The tax on it therefore would be fixed at about $125. Adjoining these premises there are four lots on which there are dwelling house improvements also of the value of $3,000. These lots and improvements belong to another neighbor who can afford the luxury of spacious grounds, but each lot being equally as valuable as the one first mentioned, his taxes would be four times as much, or $500 a year. As when a man goes to the theatre, if he chooses to appropriate four seats instead of one, he must pay accordingly, whether he uses all of them or not.

Again, the building in which I have an office brings its owner a total net rental of, say, $13,000 a year, after all deductions for insurance, renewals, cost of collecting rents, etc., have been made. It can be duplicated for $100,000, interest on which is $5,000 a year; hence the economic rent of the land which it occupies is approximately the difference between $13,000 and $5,000, or $8,000, which would be about the amount of the tax levied against the land if the rent were appropriated by the government. On one of the opposite corners is a building worth $40,000, which brings its owner a net rent of $10,000 a year. Making the calculation as shown above, and it is found that the economic rent of the lot on which it stands is also $8,000. But on another corner is a tumble-down one story building which rents for only $6,000. The lot on which it rests is not less valuable than those on the other corners, and if appropriately improved it would yield the same amount of rent; hence the tax assessed against it would be the same. In other words, the owner of the legal title to this last lot would pay the State the

same amount of rent, whether he properly improved it or not.

Sales of improved real estate would also furnish the tax assessor data from which the economic rent of land could be ascertained. Just as the thermometer tells whether the temperature is above or below normal, so would prices paid for improved landed property tell whether the taxes assessed against it were too high or too low. Thus, if real estate in any locality should sell for decidedly more than the value of the improvements—if people were willing to pay much more for a tract of land than the improvements on it were worth—this would be a certain indication that the tax levied against it should be raised. If, on the contrary, real estate were sold for taxes, under the provision heretofore explained, which would require the purchaser to fully compensate the previous owner for the value of the improvements, this would usually indicate that the taxes should be lowered.

It is not claimed that taxes will ever be assessed with mathematical accuracy, or that it is desirable even for the government to take literally all of the theoretical economic rent of land. Those who occupy land will directly or indirectly pay the tax, but those who own the land will often act as tax gatherers, and for this service compensation will be provided by the laws of supply and demand. Thus, a man having $20,000 contemplates erecting, say, ten dwellings costing $2,000 each. To make the investment profitable it will be necessary to collect from his tenants, in addition to interest, a sufficient amount to cover the tax paid on the land occupied, as well as the cost of insurance, repairs and renew-

als. He must, therefore, become in effect a tax collector for the government, and not only so, but to a certain extent a guarantor of the payment of the tax. And so when any one puts improvements on land, either for a home for himself or for any other purpose, there is always an element of risk in the investment which the renter does not incur. Increase or decrease of population in the neighborhood, as well as other circumstances, may render improvements unsuitable to changed conditions, and impair if not destroy the value of them altogether. Men will not make investments involving such risks, and often requiring them to act as tax collectors, unless paid for it. Therefore, it is not likely that the government can ever collect more than 80 or 90 per cent of the theoretical economic rent. The remainder of it will be retained by land owners to cover the risk involved in improving land and the labor involved in collecting from those who actually use land what the use of it is worth. But competition, which will then be free with respect to land, will always so fix the amount of the tax as to give land owners no more, approximately, than they will be equitably entitled to for such service.

It may be asked, why will not landlords be able to retain more than ten or twenty per cent of the economic rent of land which tenants occupy? The answer is, that rents are regulated wholly by supply and demand, the desire of landlords having little to do with the matter. If the demand for houses in any locality exceeds the supply, rents (using the word in its popular sense) will rise; if the supply exceeds the demand, rents will fall. With no tax on buildings, and land owners being no longer fined

for putting improvements on land, a demand for houses will be more easily supplied than under present conditions; it will, therefore, be impossible, except temporarily, to charge more for the use of real estate than the economic rent of land added to interest on the value of the improvements, together with allowances for insurance, repairs, etc.

The question asked, however, when put in the concrete answers itself. Thus, why could not that neighbor of mine, by raising the price charged for the use of his house and lot to $500 a year, obtain a gross income of $375 from the property, instead of $275, after payment of the tax of $125? Were he thus to increase the charge, and the tenant, finding it impossible to do better elsewhere, should submit to the advance, this would be conclusive proof that the economic rent of the land was more than $125 a year. It would show that the tax ought to be $225, or thereabouts, instead of $125, and so the tax assessor would soon raise taxes in the same proportion on all lands in that immediate vicinity. Hence the government, and not the landlords, would ultimately get the benefit of any crowding up of rents.

But this suggests another question: If landlords had nothing to gain by it, why would rents advance at all? And why would not the people at large be deprived of much of the benefit which ought to accrue to them from increase in the value of the use of land? The answer is, that competition among tenants, and the fact that a landlord here and there could always secure a temporary advantage by advancing rents, would cause rents to increase generally as the value of land increased. Landlords would simply be compelled to collect all the ground

rent possible. Whenever, for instance, on account of increase in the demand for dwelling house improvements, tenants in any locality could be forced to pay more, some vigilant landlord would require his own tenants to do so, for it would always be to his individual interest to increase the gross income of his property. His example would soon be followed by others, and then by all, and thus a higher level of economic rent in that vicinity would be established, and taxes would be advanced accordingly.

Tax assessors, however, would not be compelled to rely wholly upon data obtained from rented property in ascertaining the economic rent of land. Improved real estate then, as now, would be constantly changing hands, and the prices paid for it, as already shown, would furnish indisputable evidence of true economic rental values.

The economy and absolute impartiality with which public revenues could then be collected, as compared with the present wasteful and demoralizing methods, also present a strong reason for favoring the system suggested.

All who are familiar with the subject must admit that if land were in effect nationalized, and the right of the people to its beneficial ownership established by law, no practical difficulty would stand in the way of the State appropriating economic rent with the present machinery of taxation. The question, however, which always tends to divert attention in this connection is, *how* can land be in effect nationalized? What reasonable hope can the political economist have that land owners will ever consent to relinquish the privileges which the mere ownership of land confers, or that any method by which the gov-

ernment can condemn the land and buy out the landlords will ever meet with popular approval? But this is a question which the political economist should not be required to answer. For his functions do not include those of the statesman. As a philosopher he points out the conflict between the human law and the natural law, and shows what change in the human law is necessary to make it conform to the natural law; while the statesman, as a politician, considers how the change can be accomplished. If the political economist has diagnosed the disease correctly, and prescribed the proper remedy, some time, and in some way, statesmen will finally secure the adoption of the remedy.

CHAPTER XV.

IMMEDIATE NATIONALIZATION OF LAND.

WITH COMPENSATION TO LAND OWNERS.*

POLITICAL economists are asked to tell why it is that inventions do not increase wages, and why men want for work in the midst of abundant unused natural opportunities for work. Those of the new school say it is simply because individuals instead of the government appropriate rent. If this answer is true, it follows that if the government alone appropriated rent and distributed it among the people by relieving every one of the burden of direct and indirect taxation, all unused land would be free land, involuntary idleness would disappear, and labor-saving inventions would naturally increase wages. If it can be shown that this would in fact be the case, then a simple cause which accounts for the economic evils referred to has been discovered, and a correct answer to the questions propounded in

*It is not to be inferred from what is contained in this book that the writer either favors or disfavors compensation to land owners. The subject of compensation, as well as that of natural taxation, is discussed for the purpose only of more clearly showing the underlying cause of involuntary idleness, and the failure of wages to keep pace with improvements in labor-saving processes. Nothing else is germane to the purpose of this work, as stated on its title page. The details of a plan in accordance with which land owners can be compensated is suggested tentatively only, as one method of bringing about conditions with respect to land tenures which must ultimately prevail.

the introductory chapter has been given, whether it be practicable to induce people to adopt the remedy or not. Hence, for the purpose alone of testing the truth of the answer, the effect of nationalizing land and collecting economic rent by taxation is worthy of consideration, no matter how remote the prospect of its being put into actual operation.

In the United States, as everywhere else, land will ultimately be in effect nationalized, but it is by no means certain that the forebodings of Macaulay will not in the meantime have proven well founded. For the forces of want, corruption and brutality engendered by an acute artificial scarcity of land are incompatible with democratic institutions.

In 1857 Lord Macaulay wrote in the famous letter to H. S. Randall, the autobiographer of Jefferson—a letter which President Garfield said startled him "like an alarm bell at night"—as follows:

"I have long been convinced that institutions purely democratic must sooner or later destroy liberty or civilization, or both. You may think that your country enjoys an exemption from these evils. I will frankly own to you that I am of a very different opinion. Your fate I believe to be settled, though it is deferred by a physical cause. As long as you have a boundless extent of fertile and unoccupied land, your laboring population will be far more at ease than the laboring population of the old world, and while that is the case the Jefferson politics may continue to exist without any fatal calamity. But the time will come * * * when wages will be as low and will fluctuate as much with you as with us. You will have your Manchesters and Birminghams, and in these Manchesters and Birminghams hundreds of thousands of artisans will assuredly

some time be out of work. Then your institutions will be brought to the test. Distress everywhere makes the laborer mutinous and discontented, and inclines him to listen to agitators, who tell him that it is a monstrous iniquity that one man should have a million while another cannot get a full meal. * * *

"I have seen England pass three or four times through such critical seasons as I have described; through such seasons the United States will have to pass in the course of the next century, if not of this. How will you pass through them? I heartily wish you a good deliverance. But my reason and my wishes are at war, and I cannot help foreboding the worst. * * *

"The day will come when, in the State of New York, a multitude of people, none of whom has more than half a breakfast and expects to have more than one-half a dinner, will choose a legislature. Is it possible to doubt what sort of legislature will be chosen? On one side is a statesman teaching patience, respect for vested rights, strict observance of public faith. On the other is a demagogue ranting at the tyranny of capitalists and usurists, and asking why anybody should be permitted to drink champagne and ride in a carriage while thousands of honest folks are in want of necessaries. Which of these candidates is likely to be preferred by a working-man who hears his children cry for more bread?

"I seriously apprehend that you will, in some such season of adversity as I have described, do things which will prevent prosperity from returning. There will be, I fear, spoliation. The spoliation will increase the distress. The distress will produce fresh spoliation. There is nothing to stop you. Your Constitution is all sail and no anchor.

"As I said before, when a society has entered on this downward progress, either civilization or liberty must perish. Either some Cæsar or Napoleon will

seize the reins of government with a strong hand, or your republic will be as fearfully plundered and laid waste by the barbarians in the twentieth century as the Roman Empire was in the fifth, with the difference that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institutions.

"Thinking thus, of course, I cannot reckon Jefferson among the benefactors of mankind."

Equality with respect to the use of the bounties of nature may, however, be established without an intervening period of bloodshed and anarchy. For the sake of illustration let it be assumed that the nationalization of land will be accomplished in the United States suddenly, and in a direct and straightforward manner. This assumption is, perhaps, a violent one, but it will nevertheless aid in showing that the questions mentioned in the first chapter of this work have been correctly answered.

If the Constitution were appropriately amended, the Federal Government could issue three per cent bonds, interest payable annually in gold, and use them in compensating land and franchise owners for the loss of the special privilege which the mere ownership of the gifts of nature now enables them to enjoy. These bonds could be made exchangeable at any time for legal tender currency, and the latter could be made re-exchangeable for bonds of large denomination, such bonds to be exchangeable again for currency, and so on, the principal of the bonds being payable in gold at any time at the will of the government. Tom L. Johnson, when in Congress

during the panic of 1893, offered a bill providing for the issuance of currency exchangeable for bonds of this kind. Reflection will satisfy one that there could be no undue expansion or contraction of a currency thus based on interchangeable gold interest bearing bonds. For the volume of the currency would expand and contract automatically in accordance with the laws of supply and demand. The bonds would doubtless be worth par in gold, but whether this would be the case at first or not, such bonds at par would surely provide reasonable compensation for those who are now depriving their fellow men of the heritage so clearly intended for the equal use and enjoyment of all.

Taking the census of 1910 as the basis of the calculation, both as regards wealth and population, and it will be found that the government at that time in thus nationalizing land would have incurred an indebtedness of about one hundred billion dollars, had land and franchise owners been fully and liberally compensated. This would have meant compensation to them in full for the loss of all taxing privileges connected with the mere ownership of land. In this estimate six billion dollars are allowed for the land and franchise values alone of railroads and all public utility corporations. It would therefore have required a revenue of about $5,800,000,000 to meet interest charges and all expenses of government, including national, state and municipal, or $63 per capita, had the nationalization of land taken effect in 1910. A large part of the required revenue, however, probably a third or more, would from the start have been derived from economic rent

paid in the form of a tax for the use of land which was in effect owned by the government. It would have reduced the real per capita taxation to about $42 a year. In 1910 the per capita tax in the United States was $29, hence it would only have been necessary to have raised by real taxation $13 more per capita than was in fact raised in 1910, or an increase from $29 per capita to $42 per capita. And thereafter, as the revenue from ground rent increased, real taxation would decrease.

Taxation amounting only to $42 a year per capita would not be a serious burden if all unused land were free land and if economic rent went to the government instead of to the individual, as is now the case, and if transportation and public utility charges were limited to reasonable returns upon improvement and equipment valuations only. It would in fact be a mere bagatelle in comparison with the enormous increase in real land values, in wealth and population which would quickly follow. A large part of the revenue required, probably a third or more, would from the start be derived from economic rent paid in the form of a tax for the use of land which was in effect owned by the government.*

New Zealand, probably the richest and most prosperous country in the world in proportion to population, collects a revenue of $36 per capita, only $11 of which comes from her government owned railways, leaving about $25 per capita raised by real taxation. The American people are now spend-

*In the year 1910 $2,799,497,765 was spent in the United States for the support of government. Taxation in America amounting to but $42 per capita will be small, indeed, compared with the per capita taxation in Europe when the present war is over.

ing $15 per capita annually for alcoholic liquors. They surely could stand additional taxation to the extent of $14 per annum per capita in order to accomplish the nationalization of land.

It is true that much of the nearby unused opportunities for employment now held for speculation and mere investment purposes, whose owners would have received immense sums in the process of nationalization, would yield no revenue at first. But just as people rushed to the wilderness of Oklahoma for free land, so would capital and labor rush for the valuable vacant lots and lands and unused coal beds and mineral deposits to be found at present on every hand. Within two or three years, probably, all valuable land of this character, most of which is now situated in and near cities and towns, and in well settled farming communities, would be used and occupied. This increasing use of valuable lands now unused would rapidly swell the public revenues. The income from ground rent taxation would shortly equal and then vastly exceed the interest on the bonds issued to land owners. Capital could only be profitably invested then in wealth-producing enterprises—enterprises which would give employment to labor and add to the world's stock of wealth. None of it could be invested in the unused bounties of nature for the purpose of blackmailing Effort. All the obstacles to employment and to the most effective use of land, to which attention has been called, would be swept away. An era of business prosperity would be inaugurated, nor could it be checked and throttled by a panic-breeding increase in the price of unused land. Population would multiply,

and wealth would accumulate with unprecedented rapidity. While interest on the public debt incurred in buying out landlords would remain a fixed charge, the revenues of the government would constantly increase with the increase in the value of land. Is it not reasonable to suppose, under free land conditions which would then prevail, that in ten or fifteen or at most twenty years the indebtedness incurred in depriving land and franchise owners of the right of extorting tribute money from their fellow men would have been paid, and the heritage of the people relieved from all encumbrances?

By free land conditions, as used above, is meant conditions under which individuals would hold land on payment to the government of the economic rent of it and nothing more or less. Unused land would then be free land, and no land could be profitably withheld from the use to which it was best adapted. To attain such conditions, it would be necessary to abolish taxation of personal property and improvements on lands, since such taxes obstruct the free use of land—the source of all employment—and are in effect fines upon industry and enterprise. While all real taxation inevitably has this effect in greater or less degree, and the burden of it in the end is borne by consumers and users, nevertheless the exemptions referred to would minimize the tendency of such taxation to obstruct enterprise and discourage the employment of labor.

The question as to how it would have been possible to have obtained a revenue of $5,800,000,000 in 1910, and especially so if at the same time improvements on land and personal property were exempted from taxation, and the land value tax limited to

economic rent only, will be briefly considered. The required revenue could have been easily raised by a budget made up somewhat as follows:

Ground rent taxation, not in excess of economic rent estimated to amount at first to only one-third of total revenue	$1,950,000,000
Customs, double the amount collected in 1910	750,000,000
Internal revenue on liquor and tobacco	1,000,000,000
General stamp tax	300,000,000
Ad valorem tax on railway freight and passenger rates, collected by stamps applied to tickets and bills of lading to extent of 40 per cent	1,000,000,000
Inheritance tax	400,000,000
Increase postal rates	50,000,000
Licenses, occupation taxes and miscellaneous	350,000,000
Total	$5,800,000,000

Taxes levied as above could be collected by a single set of Federal tax gatherers at less expense and with less partiality than is possible under the present complicated and cumbrous system. After deducting the amount needed for the general government, the remainder could be apportioned among the several States, according to some equitable method of distribution. Each State government could then, after making a similar deduction, distribute what was left among its counties, cities and towns according to population or otherwise. The principle of local self-government would not be impaired. Every political subdivision would retain the right to spend as it saw fit the portion of the public revenue to which it was entitled. The ultimate end being the abolition of all taxation, it would be consistent and probably expedient for the general government to collect the revenue from the ground rent tax, since the people collectively create the values which such a tax appropriates. People living in New York, for instance, do

little more to produce its land values than people living in Iowa, whose products may be exchanged in that city for the products of people living in Maine.

In the estimate given above, it is assumed that the land value tax on improved lands in and near cities and towns, on mines, railroads and public utilities, which ought in no case to exceed the economic rent, would yield at first only $1,950,000,000, or one-third of the amount necessary to pay interest on the bonds issued to land owners. It is assumed in this connection that the economic rent of all improved lands would fall at least 50 per cent; also, that land whose owners would have received $25,000,000,000, or one-fourth of the $100,000,000,000 of bonds issued, would yield at first no economic rent to the government, most of the unimproved land and much of the land in cultivation being embraced in this class. So also as to the 243,000 miles of railroads in the United States in 1910. The par value of railroad stocks and bonds amounted to $17,942,282,515, an average of $73,000 per mile. It is assumed that one-third of this sum represented the value of land, including terminals, rights-of-way and franchise holdings, and the other two-thirds improvement values. The gross receipts of railroads in 1910 were $2,500,000,000; the net earnings amounted to $852,-153,280. It is estimated that $6,000,000,000, or one-third the par value of the stocks and bonds, would have been used in paying railroads for relinquishing land and franchise values and the water in stocks and bonds. It follows, however, that the elimination of these factors in fixing rates would have resulted in reducing rates to the extent of, say,

5 per cent on the $6,000,000,000, or $300,000,000 annually. Hence a stamp tax of 40 per cent ad valorem paid by shippers and passengers on railroad charges as thus reduced would have amounted in fact to only a 31 per cent, instead of a 40 per cent, increase in rates, and would have added over $1,000,000,000 to the revenue of the government. The burden of the additional $2,000,000,000, or thereabouts, of real taxation collected in the manner thus suggested would have been collected at a minimum of expense and borne by all consumers in proportion to the amount consumed by each.*

An important factor to be taken into account in considering the feasibility of compensating land owners in full is the difference between the government rate of 3 per cent interest and the rate of 4 per cent to 8 per cent now paid by individuals and corporations. Thus, the land which furnishes the site for the office building mentioned in the preceding chapter is worth $160,000, the economic rent of it being $8,000 per year, or 5 per cent of its value. The government, however, would have obtained the land owner's taxing privilege pertaining to this lot for $160,000, paying for it in 3 per cent gold interest bearing bonds, the interest on which would amount to only $4,800 annually. Thereafter the full economic rent as determined by the rate of interest

*At first the income of the government from ground rent taxation would be abnormally low, owing to the immense amount of near-at-hand unused land which would become at once available to capital and labor; but within a very short period these lands would all be occupied, and then the ground rent fund would rise to normal figures. Hence no harm would result if during this period of transition it became necessary for the government to issue additional bonds to provide for deficits.

prevailing among individuals in that locality would be paid the government in the form of a tax on this tract of land. It might soon amount to $6,000 or $8,000 a year; hence, in many instances the revenues from valuable lands would soon from this cause alone more than equal the interest on the bonds given in exchange for them. This would quickly offset the shrinkage in economic rent resulting at first from the opening up to capital and labor of all nearby valuable unused land. It would perhaps enable the government to retire the bonds referred to without perceptible increase of the burden of real taxation.

Again, the fact of these gold interest bearing bonds being exchangeable for currency, (the currency being also re-exchangeable for gold interest bearing bonds of large denominations) would produce an artificial stimulation of business like an inflation of the currency, which would also aid in tiding over the first few years of increased taxation. But this could produce no disastrous inflation of values. The price of land and of stocks, bonds and securities based on lands and franchises could not be advanced, since all increase in these values would be appropriated by the government; a rising real estate market, therefore, the cause as well as the premonitory sign of every panic in the past, would be lacking. The stimulus to business could show itself only in an enormous demand for labor to be applied to the development of valuable near-at-hand unused building lots and farming lands, coal beds and mineral deposits, the use of which would then be secured without encountering the obstacle which the purchase price of land at present always interposes.

At this point a question of morals again arises. Thus, if land belongs by natural right to all, if the value which attaches to it is the product of the common energy and enterprise of all, what right has the government to compel the people to pay for what they already own? If compensation is to be awarded at all, why should it not be given to those who have been deprived of the heritage rather than to those who have enjoyed its exclusive use and possession? In point of fact, however, the political economist, for reasons already given, has nothing to do with the question thus suggested. He sees that the natural law demands equality with respect to the use of the bounties of nature; that the violation of this law produces confusion and waste, and that harmony with it can only be effected by requiring those who possess land to pay, for the benefit of all, what the use of it is worth. In other words, that harmony with the natural law can be reached only by what is in effect the nationalization of land. When it is proposed to compensate land owners, the economist must test the matter, not by trying to determine the right or wrong of it, but by considering how it would affect the demand for labor and the distribution of wealth. Applying this test, the conclusion is reached that the government could well afford to pay the owners of land in full for all the privileges which its nationalization would force them to relinquish. For it is evident that the payment of the fixed amount of indebtedness incurred in doing so, bearing the low rate of interest at which the government can float its bonds at par, would be far less burdensome upon capital and labor than the continuance of the present system of constantly in-

creasing exactions on the part of land and franchise owners. And especially so, if free land conditions from the very start could thus be obtained.

The British Government is now engaged upon a huge scale in buying out great estates in Ireland and establishing tenants upon small farms of their own. The Act of 1902 appropriated $800,000,000 for this purpose. The government charges 2¾ per cent interest with ½ per cent added as a sinking fund. At this rate the tenant acquires absolute ownership of his farm in sixty-eight and one-half years. In Hugh Southerland's "Ireland, Yesterday and Today," it is stated that out of the 70,000 purchasers under acts of Parliament previous to that of 1902, only two purchasers failed to meet their payments, and that up to the time the book was written, in 1909, a total of over 215,000 tenants had purchased their holdings.

The land question, however, is not solved by a mere multiplicity of land owners. The natural law demands that all who enjoy the legal right to the exclusive possession of any tract of land shall pay into the common treasury, for the benefit of all, what such right of exclusive possession is annually worth. Hence government land purchasing acts should not require the repayment to the government of money paid landlords, but the land so purchased should be held subject forever to the payment of a land value tax equal to the annual economic rental value of the land. In no other way can justice be meted out, and the evils flowing from private ownership of the gifts of nature be wholly avoided.

The success of the government in its treatment of farm tenantry in Ireland, imperfect and incomplete

as the method pursued may be, suggests a plan by which the nationalization of all land could be gradually effected. The government could create boards of commissioners, as in Ireland, and give them power not only to condemn unused and but partially used land and fix the price to be paid for it, but also to fix its annual economic rental value at the time of condemnation, such rent to be paid annually in the form of a special tax on the land condemned. The actions of these boards could be invoked, under proper limitations, by any individual or corporation desiring and able to use the land sought to be condemned for any wealth-producing and labor-employing purpose for which it was adapted, be it for a mercantile, manufacturing, agricultural or residence purpose.

In the State of Texas there are over 150,000,000 acres of arable land, less than 20,000,000 acres being in cultivation. More than 50 per cent of the actual farmers of the State are tenants. The unused and fertile lands of Texas, moderately well located with respect to railroads and markets, are held at $20 an acre and upwards. Under laws of the character suggested any one with capital sufficient to enable him to improve and cultivate, say, 100 acres, would be saved an investment of $2,000 or more in land. The economic rent on such a tract of land would hardly exceed $30 a year. In place of $160 a year, the interest at prevailing rates on the purchase money value, the party in whose favor the unused land was condemned would only pay $30 a year to begin with in the form of a land value tax.

Imagine what an era of brisk business and universal prosperity for all classes would instantly be

inaugurated if any unused piece of land in Texas could thus be made available for a home or for any labor-employing enterprise without the investment by the individual making use of it of the enormous sum now required to be paid for the bare privilege of employing labor on a gift of nature.

The great increase of wealth resulting from the slight progress toward the nationalization of land effected in Ireland by the land purchase acts is strikingly shown by Mr. Southerland from comparing present conditions of certain sections of Ireland, where the act has been applied to large estates, with conditions existing in the same neighborhood seven years before its application, thus proving conclusively that government indebtedness incurred in buying out landlords would be easily liquidated by the increase of wealth resulting therefrom.

CHAPTER XVI.

THE NATIONALIZATION OF LAND, CONTINUED

SPECULATIONS IN REGARD TO EFFECTS WHICH WOULD FLOW FROM IT, INCLUDING ITS EFFECT ON LABOR UNIONS, TRUSTS AND SOCIALISM.

WHILE the nationalization of land, brought about at once, and without hardship or excessive loss to any individual, may be but an "iridescent dream," further speculation in regard to it and to the effects which would flow from it are nevertheless interesting and instructive. For in this way the maladjustment of the forces of government in the particular to which attention has been called can be made even more clearly apparent. The fact that the subject may be at present without practical interest to politicians and statesmen does not render it of less importance to the political economist. Nor is interest in the matter from his point of view diminished because people at present have neither the intelligence nor the patriotism which the remedy calls for. As a scientist, he considers the subject simply for the purpose of ascertaining whether the cause of increasing poverty in the midst of increasing wealth has been discovered, and if so, whether the ultimate remedy is to be found in socialism or in individualism, in tyranny or in freedom.

Let us then try to imagine what would have happened had the landlords of the United States been compelled, on the terms stated, to relinquish, in 1910, in favor of the government, all the taxing privileges previously enjoyed by them as mere owners of land. The land value tax for the first year on every tract of land would of course have equaled the interest on the bonds awarded its owner. If, for instance, a farmer's tax was sixty dollars, he would have received two thousand dollars in bonds, on which the interest in gold would have been sixty dollars. With this he could pay all his direct taxes, for there would then be no tax on personalty or improvements on land. The year before, this farmer would have paid the tax on his farm and personal property out of money which he earned; the year after the change was made, he would pay it with money furnished by the government in the form of interest on the bonds awarded him; yet he would be in no way deprived of the use and enjoyment of his farm. This would be the case at first as to every land owner. All would still have the exclusive use of the land owned by them, and all would at first in effect be relieved entirely of the burden of taxation in connection with it. For the money with which to pay the taxes assessed against land would, for the first year at least, as stated, be furnished by the government. Taxes levied against owners of improved real estate, therefore, on the start would be decreased, and the burden of direct taxation as to them would at first be lessened. This condition, however, as to all highly valuable lands, would only be temporary, but as to cheap lands it would be more or less permanent, and would continue for many years

following the change. Probably half or more of the land-owning farmers of this country would pay no direct taxes on the lands used by them, because such lands would not, for many years after the new system went into effect, have any real economic value.

Since improvements existing at the time the nationalization of land became effective would stand as security for the payment of taxes, it would be to the interest of all owning fairly well improved lands to pay the tax assessed against them rather than permit such lands to be sold for non-payment.* As to unimproved lands, however, the case would be different. Unless the owner of an unimproved tract intended to utilize it himself without delay, there would be no inducement for him to pay taxes on it. If, therefore, he could not sell his title for a small premium to one who wished to use the land at once, he would let it revert to the government. Thus, suppose A owned a vacant lot formerly valued at a thousand dollars, on which he had received a thousand dollars in 3 per cent gold interest bearing bonds, and that he was unable or unwilling to improve this property himself. He would have nothing to gain by paying the $30 which it would cost to hold the land in idleness the first year. Suppose he paid the tax, however, with the intention of making some one, some time, give him a premium of a hundred or two hundred dollars or more for the land. It would be impossible for him to succeed in such a scheme unless others with unused tracts of land in

*The plan proposed by Mr. Shearman, *supra*, 201-203, under which land owners would be saved the loss of improvements in case of tax sales, could not be applied until sufficient time had elapsed for a complete readjustment of rental values.

the same locality also held on to them for the same purpose. If this were done, it would be conclusive evidence that the economic rent of the land was more than $30 a year; hence the tax would be raised, and it would cost, say, $40 or $50 to hold the land in idleness the next year. And so the tax would be increased year by year if need be, and the government, and not the individual, would appropriate the unearned increment. The knowledge that the government possessed this power, and that it would be its interest and its duty to advance the tax on vacant as well as improved lands until all economic rent collectible was appropriated by taxation for the benefit of the people at large, would effectually deter any one from acting "the dog in the manger" by trying to hold land in idleness for investment or speculative purposes.

It follows, then, that every vacant city lot, all the millions of acres in the aggregate of unimproved lands within the zones of vacant land surrounding cities, towns and villages, to which attention has been called, and the hundreds of millions of acres of unused farming lands in the midst of well settled farming communities, as well as the tens of thousands of acres of unused coal beds and mineral deposits within convenient distances of great centers of population, and unused land everywhere, would be thrown open to use and settlement on terms requiring practically no investment of purchase money. The fact that here and there an owner might be able to exact a small premium for the mere privilege of immediate possession would not affect the general rule that capital could no longer be sunk in buying land.

A few illustrations will bring home to the reader the momentous effects of the change outlined above. Thus, the clerk or mechanic, for instance, who formerly would have been compelled to surrender $1,000 of capital in buying a conveniently located vacant lot, on which to build his home, would now obtain a secure title to it with an initial outlay of but the first year's tax of $30. The five-acre tract of unimproved land in the suburbs of a city, really useful only for market garden purposes, which would formerly have cost $5,000, the gardener would now get with an initial investment of but $150, and this assessment might settle to even lower figures within a year or two. So, also, the tenant farmer and the sons of small land-owning farmers would obtain conveniently sized farms on similar terms, not in remote wildernesses, but on the unused or but partially used lands to be found in the very neighborhoods in which they were living. They would thus have the advantages at once of schools, churches, good roads and nearby markets, and all the comforts and interests in life which highly civilized society affords. As already shown, a given amount of effort applied to such lands will often produce quadruple the wealth which it can bring forth on cheaper lands at greater distances from centers of population.

Again, the manufacturer looking for a site for a new factory would no longer be forced to pass by an unimproved block in the heart of the manufacturing district of the city, convenient to railroad and wharf, to schools and comfortable sanitary dwellings for employees, and locate his enterprise in a distant suburb, remote from such advantages. No "dog in the manger," by demanding a more or less

exorbitant price, could prevent the employer from taking up the unused land most suitable for his purpose. He would always, therefore, be able to select the tract of unused or but partially used land on which the greatest amount of wealth could be produced with the least expenditure of labor.

Nor would the employer be compelled to take the chances of a land speculator in connection with a labor-employing enterprise. If his ground rent tax increased, it would be because his land was becoming more valuable and he could therefore afford to pay the additional rate; if the land decreased in value, his tax would decrease accordingly; for, under no circumstances, after the system was fairly inaugurated, would a land owner ever be required to pay as taxes more than the economic rent of the land which he owned. And so it would be as to all farmers, merchants, miners and homeseekers; nowhere would the purchase price of land, the greatest of all obstacles to employment, stand in the path of progress.

Nor would, for instance, appeals to philanthropy be necessary then to secure the construction of commodious and sanitary tenement houses in the slums of great cities. All improvements on land being exempt from taxation, and land owners being no longer fined by an increase of taxation for improving land, and sites for such tenements being obtainable on easy terms, self-interest alone would quickly bring about the employment of labor in tearing down unsanitary rookeries, and in the construction of comfortable dwellings in place of them. As it is now, before the capitalist can build a model tenement house, he must pay some one for a suitable

site from 25 to 100 per cent more than its present economic value. He is compelled to do this because of the anticipated increase in value always to be discounted and added to the real value in fixing the purchase price of land. This renders the investment a more or less doubtful one. In a city like New York, the land alone on which to erect a comfortable tenement often costs far more than the building itself; hence, error of judgment with respect to this speculative value may result in disastrous loss instead of sure and moderate gain. "Business," instead of sweeping towards the proposed site and doubling and trebling its value, as its owner hopes will be the case, may go in another direction. At present, such investments at best partake in large part of the nature of a lottery. It is sometimes more of a land speculating scheme than a wealth-producing and labor-employing enterprise. For every dollar invested in it in the payment of the products of labor, several times as much more must often be invested in the purchase of privilege. Under the conditions which would then prevail, however, not only would the land speculator's risk be eliminated, but this particular form of investment, as well as all others calling for the employment of labor, could be made with a much smaller amount of capital than is now possible. This of itself would largely facilitate the employment of labor, and increase the demand for laborers.

So also as to the settlement of land in cities and towns generally. Vacant lots, to be found everywhere at present in the midst of improved premises, would soon disappear. Population, in obedience to natural law, would be attracted to the unused sites

for homes and business purposes nearest at hand rather than to those among wildernesses of vacant lots in the suburbs. Nothing would then interfere with the natural tendency to use all land for some purpose, and to devote each particular parcel of it to the purpose for which it was best adapted, be it for a business block, a factory, a dwelling house, a farm, a sheep walk, or a cattle ranch. Hence unnecessary congestion of population in the slums of cities, and its unnecessary diffusion in the suburbs and rural districts, would be avoided. Highly improved roads, sidewalks and sewers, electric light, heat and power service, and all public utilities now impossible of enjoyment except in a limited degree by a limited number, would then be possible of enjoyment in the highest degree by the greatest number; and the expense would be trifling in comparison with what so wide a diffusion of these public utility privileges would cost under present conditions. This would be brought about by the natural and common sense manner of using land which the appropriation of economic rent by taxation would induce.

The plan pursued in regulating the use of coal beds and mineral deposits would be slightly different. In the case of coal, the method for many years practiced by the City of New York in disposing of its wharf privileges would doubtless be followed. Coal beds would be leased for terms not exceeding, say, ten years, in lots to suit, to the bidders offering the government the greatest royalty per ton of coal produced. Forfeiture of the privileges granted would be the penalty for failing to mine in any one year a stipulated minimum number of tons, the number being in proportion to the magnitude of the bed

leased. On the expiration of a lease, whether from forfeiture or lapse of time, so much of the coal bed as then remained would be leased for another term to the best bidder, the new lessee being required to pay his predecessor the actual value of the improvements. A miner, therefore, on finding out that his bid was too high—that he could not continue to pay the royalty agreed upon and compete with other operators—could safely submit to a forfeiture and take the chance of leasing the land on better terms, since, if any one bid over him, he would still recover the value of his improvements. The purpose of the government would be, not to obtain the greatest possible income from royalties, as in the case of private ownership, but to bring about conditions under which consumers would be furnished with coal at as near the cost of production as possible. This would be accomplished in the manner described, since no one would then be able to derive profit from holding coal lands in idleness, unused coal beds being practically free to whoever chose to operate them. It would, therefore, take little capital to become a coal mine operator; hence the number of coal mine employers would be increased to the advantage of employees as well as consumers.

Under these conditions, only the coal beds most conveniently located and most easily worked would be operated at first—beds from which the greatest amount of coal could be produced with the least amount of effort—but the royalties paid would nevertheless be small, on account of proximity to vast quantities of unused and practically free coal lands. It follows, therefore, that prices to consumers would

be but little above the cost of production, provided railroad rates were alike to all and were limited to reasonable profits on improvement and equipment values. It may be remarked that a people with sufficient virtue and intelligence to accomplish the practical nationalization of land would not submit to unjust discrimination, or extortionate charges on the part of public service corporations.* Assuming that this would be the case, and it can be easily shown that 6% interest on all capital invested in mining, transporting and selling coal could be allowed, the wages of miners, railroad employees, and all engaged in handling it could be doubled, and yet the price of anthracite coal in New York City would be reduced perhaps one-third. As it is now, on an average the consumer pays, say, $5.00 a ton for coal, of which labor gets approximately $1.25, capital 75 cents, and land and railroad franchises $3.00. Under the free land conditions described, the consumer would pay $3.50 per ton for coal, of which labor would get

*No difficulty will be experienced in preventing rebates, and in securing uniform and reasonable rates, when it is fully realized that railroads and all public utility corporations are mere servants of the people, and as such entitled only to the chance of making reasonable profits, say, not exceeding six or eight per cent on the actual capital invested. The problem will be simplified rather than rendered more complex by mergers and combinations carried no matter to what extent. Effective publicity alone will secure the observance of law on the part of such corporations, and render it easy to obtain all reasonable reductions in rates, either by the aid of commissions or otherwise. But the publicity must be effective, and it cannot be made so unless the books of public utility companies are kept under the supervision of government experts and in accordance with uniform methods prescribed by them. It is now a penitentiary offense to make a false entry in the books of a national bank. Why should the penalty be less in the case of a franchise-enjoying corporation?

approximately $2.50, capital 75 cents, and land 25 cents.*

Let the reader consider for a moment what a reduction of 33 1-3% in the price of coal, resulting not from lower wages, but from the abolition of monopoly, would signify. It would bring needed warmth and comfort to hundreds of thousands of dreary homes. It would stimulate manufacturing enterprises, and reduce the cost of producing and transporting every article which contributes to the comfort and happiness of mankind. An enormous increase in the demand for coal would produce an enormous increase in the demand for labor employed in mining it, and from this would follow an increase in the wages of the miner.

And so in all departments of industry everywhere, in like manner and from like causes, the exactions of monopoly would melt away and the rewards of effort would increase proportionately.

What, then, would the man of means do with his wealth as it accumulates? He could no longer invest it in land, and, snapping his fingers in the face of labor, buy with it the privilege of taxing his fellow men. All such avenues for increasing one's wealth would be closed. As a general rule, no income could be realized from wealth unless it was so invested as to give employment to labor, while the obstacles to such investment which the price of land now interposes would have vanished. Everywhere on the borders of compactly settled communities, where

*The figures used above are intended merely as illustrative of how free land conditions with respect to coal would reduce the price and change the ratio of the division of the product between the factors of land, capital and labor.

all the advantages of a highly developed civilization could be enjoyed, would be found land practically free and open to all who cared to use it for wealth-producing purposes.

Is it not evident that the position of capital and labor would then be reversed? Capitalists would then beg for employers to use idle capital, and employers would beg for employees even as employees beg now for employment. This being so, labor unions, walking delegates, strikes and boycotts would be unheard of.

If economic rent were appropriated by taxation, there would be no occasion for trade unions, and working men would no longer be required in self-defense to submit to the tyranny of labor organizations. No grinding down of wages could then result from individual freedom of contract between employer and employee. If one laborer worked fifteen hours in a day instead of eight hours, and if another did twice as much work in a given time as the average of his class, none would object. For additional wages would then inevitably be the reward of additional effort; therefore, the pace set by the extra efficient workmen could not result in the reduction of the wages of the less efficient ones. At present, however, extra efficiency on the part of a few tends to reduce the wages of all; hence the necessity of trade union regulations compelling all to conform to a dull average of mediocrity. This not only destroys individuality and lessens the interest of the working man in his task, but it also largely decreases the amount of wealth which would otherwise be produced; yet, but for such regulations, wages under

present unnatural conditions would inevitably sink to the very starvation point.*

The truth of what is stated in the preceding paragraph, that labor unions would then be unnecessary, can also be proven by the law of rent and its corollary, the law of wages. The reasoning, though somewhat technical and calling for the close attention of the student, is unanswerable. Briefly recapitulated, it is as follows: Wages never naturally rise above, but always tend to fall to the level fixed by what labor can earn on free land, since all which a given amount of effort can produce on any land in excess

*The effect on wages generally at present of some workmen trying to excel other workmen in the same line of employment is shown by the following extract from "The Story of a Russian Workman," published in The Outlook:

"Some years ago, my boss said to me, 'For every bolt you make we pay three copecks. Now, you are a fast man. Why don't you make more money? You can make more than all the other men.' So I worked faster. In a few weeks I was making one hundred and fifty bolts a day—four and a half ($2.25) rubles a day. Then the gentlemen who directed the factory said, 'Oh, this is too much for so simple a fellow.' So they decided to pay a lower price for each bolt. They did. But the baby had come, and I worked still faster. The other men had to keep as close behind me as they could, and so they all worked faster. Then again I got up to $2.25 a day. Again they said, 'Oh, this is too much for so simple a fellow.' They decided to lower the price again on each bolt. * * * In a few years this clever boss, who gets a commission, he has made us work faster and faster, while our wages stayed the same. Only a few of us are making more money—a little more, perhaps fifteen per cent. But even for us it is bad to have so many others working cheaper. Some of them may any day do our work for still lower wages. Now, what are you going to do about this? Is it right to keep always working faster? I want no more of the old slow factories; they are all over Russia and are very bad for this country. But look here—when I keep working faster, I want to get paid more and more. And how can this be if the employers keep lowering the price for each bolt I make? And who wants to stop them from lowering the price? Only the workmen. If we don't stop them, no one else will. So we must have more and more labor unions."

of what it can produce on the least productive land in use, or on free land, goes in the long run to land owners, either in the form of rent or of increase in the value of land.* Free land, or the least productive land in use, is now so remote from centers of population, or so lacking in fertility, that wages made upon it are little more than sufficient for the laborer's maintenance, hence wages in general naturally tend to fall.† This natural tendency can be resisted at present only by artificial methods. It therefore follows that trade union combinations are necessary under existing conditions, and that, but for them, wages would ultimately decline to the very starvation point. Under free land conditions, however, it would be different. Now, the agricultural laborer on free land, which can only be found remote from markets, and where he is denied the co-operative advantages of a highly developed civilization, can earn, say, but a dollar a day; then free land being always close at hand and adjoining thickly settled communities, he could earn upon it, say two or three dollars a day, since, on unused land of this character much more wealth can be produced with the same amount of effort. This increase in the wages of the agricultural laborer would cause a proportionate increase in the wages of all laborers, and such increase would come naturally, without the aid of trade union combinations, and not-

*The law of wages, as already stated, is to the effect that the higher wages are on free land, or on the least productive land in use, the higher wages will be on all lands; the converse of this is also of course implied.

†This is the cause of the so-called iron war of wages announced by Ricardo.

withstanding perfect individual freedom of contract between employer and employee. For it is evident if comparatively unskilled labor could always make two or three dollars a day on free land, laborers of the same grade in other lines of employment would never work for less on any land; and if the wages of this class of labor were thus by natural methods doubled and trebled, the wages of all classes of labor would be increased in something like the same proportion without artificial aids of any character.

Again, since under prevailing conditions improvements in labor-saving processes do not naturally increase wages, the working man can reap no benefit from the increased amount of wealth which they enable him to produce, without resort to the artificial aid of trade union combinations. This is so at present, because such inventions naturally increase rent and the value of land without increasing wages or rates of interest. In other words, in the division of the product among land, capital and labor, the additional wealth produced by such improvements goes to land owners in the form of increase in rent and increase in the value of land, and not to laborers and capitalists in the form of increase in wages or increase in rates of interest. With free land conditions, however, none of this increase would go to land owners as such; hence all of it would go to capitalists and laborers, and since, as already shown, rates of interest would not advance, all of the increase in the product resulting from improvements in labor-saving processes would go to labor in the form of increased wages, including the wages of both employer and employee. But the employee, owing to the small amount of capital

which would then be required to enable any one to profitably employ himself upon nearby free land, would be so independent of the employer that he could command and receive as wages approximately all the wealth which he produced. The wages of employees as well as those of employers would therefore naturally increase with every invention which increased their wealth-producing powers; and thus, with the removal of the cause which rendered them necessary, trade union combinations would disappear.

Not only would the cause which produces the labor union be removed, but, to a great extent at least, the causes which bring about trusts and combinations in restraint of trade. For no one would then contend that a tariff was needed for the protection of the American working man. It would then be clearly seen that the sole cause of the high wages which he enjoyed was the abundance of practically free land to be found everywhere close at hand. Wages in the early part of the nineteenth century, for instance, before a protective tariff was inaugurated, were higher in America than in any of the countries of Europe, the advantage in favor of the American working man being even greater comparatively than at present. This was so because land was cheaper here than in Europe; or, in other words, because the rewards of effort on the least productive lands in use were greater here than there. And for this reason wages have always been higher in the United States than in England.

Without a protective tariff—so well described by Mr. Havemeyer as the "mother of trusts"—with no discrimination in railway charges, with railway

rates based largely if not solely on the improvement and equipment valuations of railroads, with free land conditions in respect to coal beds and mineral deposits, the very life would be taken from nearly every trust which now defies the law of competition and prevents the exercise of individual initiative.

Again, with increase of wages to employees as well as to employers, would come a general increase of intelligence, and voluntary co-operative associations would doubtless assume proportions undreamed of at present. Consumers of all classes would thus be guarded against the rapacity of merchants and middlemen, as is already largely the case in England.

Nor is it clear (theories of doctrinaires notwithstanding) that any line would then be drawn, putting an arbitrary limit to the functions of government at the franchise or anywhere else. Man ever strives to bring about the greatest results with the least amount of work, and it is difficult to see how the natural law could be violated by allowing the government to do anything which experience shows it can do with less expenditure of human labor than would be the case if it were done by private citizens. The only questions to be then considered in deciding whether any certain enterprise ought to be undertaken by the government or not, would perhaps be, which will perform the service cheaper, the government or the individual? With unlimited opportunities for profitable private employment produced by free land conditions, it is possible that little attention would then be paid to the plea that it is unfair for the government to compete with private interests in any field of enterprise in which it can serve the

people cheaper and better than they are being served by individuals and corporations.

The City of Boston sells coal to its school board and eleemosynary institutions; if so, what real objection can there be to its selling coal to private individuals, should experience prove that coal can thus be distributed among consumers generally in that city at a saving of cost and labor? What better or simpler method could be devised for rendering ineffective an agreement among coal dealers to charge unreasonable prices?

Some years ago, the steamship companies engaged in carrying the twelve million dollars' worth of refrigerated meats annually exported at that time from New Zealand to England, formed a pool and raised freight rates. They were notified by the Prime Minister of New Zealand that unless the old rates were restored, the government would put on its own line of steamers. This threat was effective, and rates were at once reduced to the former level.

The manufacturers of twine used in harvesting small grains formed a tariff protected trust, and doubled the price of this article. Minnesota and Iowa then began the manufacture of binding twine with convict labor, and the price of it soon fell 50% in those States.

Who shall say that methods of the character noted above would not prove to be the best which could be adopted for the protection of the people against the exactions of such trusts, if any, as might survive the abolition of every form of legalized special privilege? The experience of New Zealand shows that methods of this kind would be effective at least. The government there not only operates all public utili-

ties, but it also competes with individuals in the business of banking, of loaning money on real estate, of insuring lives and property, of mining coal, and even to some extent of carrying on ordinary manufacturing establishments. There are no trusts, as we use the term, in that country, nor is it probable that they could thrive and prosper under conditions existing there.

Whenever, in the manufacture or distribution of products, in the insuring of lives or property, or in the performance of any character of service, unreasonable charges are extorted by means of oppressive combinations, the real remedy for the evil may be found in the readiness of the government, either national, state or municipal, as the case may require, to become an active competitor in the business thus monopolized. The fear of arousing competition from such a source would doubtless in most instances be sufficient in itself, as in New Zealand, to prevent the formation of any combination in restraint of trade.

We may smile at the idea, but should the State of Kansas, by means of a great oil refinery which it was once proposed to build, be able to demonstrate that illuminating oil can be produced and sold by State governments at prices greatly below those now charged by the Standard Oil monopoly, would it not be foolish to allow the mere spectre of State socialism to deter us from extending the experiment into other fields and into other lines of enterprise? What is there in the dream of the most ultra socialist to terrorize one who believes in the fullest measure of individual liberty? Is it likely, when special privi-

leges and the private appropriation of rent shall have become things of the past, and all shall have tasted the fruits of industrial freedom, that the people will then consent to be shackled by a socialistic bureaucracy?

Suppose the vision of Bellamy about the carrying on by the government of immense factories, shops, stores, and hostelries, banking and insurance enterprises, were realized, and most of the waste of energy now resulting from competition were thus avoided; this would only signify that experience had shown that in many instances and under certain circumstances the government could obtain the same or better results with less expenditure of human effort than the individual, but it would not prove that it could do so in all cases and under all circumstances. With a telephone and an electric motor on every farm and in every home, and a trolley line or its equivalent at almost every door, numberless articles of comfort and luxury could doubtless then be made to greater advantage in small shops, and at the very homes of the workmen, than in great factories; and especially so when the craftsman's individuality of design or finish was desired. Again, it is impossible to conceive of any saving of labor by the government's engaging, for instance, in the cultivation of the soil. In this, the most important of all pursuits, as well as in all others in which energy is not largely dissipated by competition, labor would be wasted rather than saved were the State to attempt the role of employer.

It therefore follows, since man always seeks to accomplish as much as possible with as little work as

possible, that no matter how rapid the drift in this direction may seem, the socialistic commonwealth can never be attained, nor need the fear of it lead the individualist to dread any extension of the functions of government which imply either a saving of labor or relief from monopoly.

CHAPTER XVII.

NATURAL TAXATION.

THE nationalization of land can be brought about gradually by dropping one after the other taxes levied on industry and the products of industry, and concentrating all taxation on the rental value of land. In other words, it can be accomplished by a single tax on land values. Since this method of taxation is in harmony with the natural law, and violates none of its canons, it is rightly called Natural Taxation.

It is obvious that no tax should be levied which cannot be collected economically and without invidious distinctions between individuals; neither should a tax directly discourage the production of wealth, nor should it be so adjusted as to bear with unnecessary weight upon the very poor. These are self-evident truths, and any scheme of taxation which fails to harmonize with them is unsound, and must ultimately be discarded.

It is sometimes thoughtlessly remarked that since a certain amount of money must be raised for the support of government, the manner of obtaining it is of small importance. As well might it be said that since a horse must haul a certain amount of freight, it is immaterial whether the cart be fastened to his tail or to his shoulders. An improper adjustment of the burden of taxation will not only lessen the amount of wealth which would otherwise be produced, but it may result in the total destruction of

the wealth attempted to be taxed. Thus, the Egyptian government once increased the tax on date trees to such an extent that owners cut them down in self-defense, and thousands of acres of date groves, some of which had been producing wealth for centuries, were destroyed, being literally taxed to death.

Nothing is more conducive to health, contentment and energy than plenty of windows for light and ventilation in the homes in which human beings must rest and eat and sleep, yet in some of the countries of Europe, even to this day, windows are taxed; hence in such countries as few windows as possible are placed in houses occupied by working men; and huts in which tens of thousands of peasants are living have no windows at all. It is evident that such a tax reduces the wealth-producing power of those by whom it must be directly or indirectly paid.

Again, farmers for instance cannot produce wealth with which to pay taxes without teams, cattle, agricultural implements and household furniture. Yet in hundreds of thousands of instances the Russian tax gatherer on his annual rounds ruthlessly strips the peasant of these tools of his trade, and in this way whole communities are often pauperized. The goose which lays the golden egg is thus destroyed by taxation.

Everywhere, even in this country, people are crowded into ugly, inconvenient and unsanitary buildings. Everywhere the man who, risking loss of capital in doing so, erects upon his land a dwelling, a barn, a storehouse, or a factory, or opens up a farm, or makes any other kind of improvement, is a public benefactor. Yet we punish him for thus em-

ploying labor on land previously unused, by increasing his taxes. We fine him for making his land useful to mankind. Before he improves the land, he pays the government in the form of a tax a certain sum of money for its exclusive possession; as soon as he ceases to be a dog in the manger and does something with it of benefit to the public, something which gives additional value to all the land in the neighborhood, we reward him for his enterprise by doubling his taxes.

A hard working farmer moves into a sparsely settled region, buys 100 acres of vacant land from some speculator, owning perhaps thousands of acres of adjoining unused land, and opens up a farm. The new comer receives a hearty welcome from those who have settled there in advance of him. All of them are eagerly looking forward to the time when, with increase of population, will come better roads, schools, transportation facilities and the thousand and one economic and social advantages of a compactly built community, but the speculator's consent must first be obtained. Consent having been secured, at the cost perhaps of half or more of the settler's meager capital, the government then steps in and, by taxing his improvements, compels him to pay often three or four times as much every year for using the land as the speculator pays for holding his land in idleness.

Ask the owner of any vacant lot surrounded by handsome buildings in a city, why he allows such valuable land to remain idle, and his reply will probably be that in his judgment non-use of it pays better than use. As it is now he can afford to let it lie idle, since the energy of those who improve ad-

joining lands will, year by year, add to its value without risk or exertion on his part. Would this so often be the case if improvements were untaxed and the deficit made up by an increase in the land value tax?

It can thus be shown by numberless illustrations that a tax on improvements on land discourages industry and enterprise, and encourages idleness and stagnation. And this is also true as to taxes levied upon chattels coming within the definition of personal property. If it were not so, why do enlightened communities sometimes, for instance, exempt from taxation fine stock used for breeding purposes? Such an exemption is merely a remission of the fine which would otherwise be imposed on the owner for importing the stock. The fine is remitted on the theory that the community is benefited by having the stock brought in. But would not the community be benefited also by an increase in the stocks of goods of its merchants, by an increase in the capital of its banks, by an increase in the labor-saving machinery used by its farmers, by an increase in the number of looms and spindles in the factories? Why not then remit the fine imposed by taxation upon these things also, and in fact upon everything produced by labor which is useful in the production of wealth?

A tax on improvements, or on personal property, not only violates the canons of natural taxation, by discouraging the production of wealth, and by placing unnecessary burdens upon enterprise, but it does so also because it is a tax which cannot be collected impartially or with any degree of fairness between individuals. This is especially true as regards all attempts to tax credits, whether evidenced by bonds

or promissory notes or otherwise.* On this point, Mr. Shearman, in Natural Taxation, wrote as follows:

"If anything in human experience as applied to methods of taxation is settled, it certainly is the fact that taxation upon personal property never can be made a success. Taxes can be raised from personal property, no doubt; for large sums of money are thus raised; but that they cannot be levied with any reasonable approach to accuracy or equality is demonstrated, not only by conclusive reasoning, but by the more conclusive fact that they have never been thus

*"It makes liars and perjurers of all who are subject to its operations, as shown in the following illustrations: Some years ago a returned missionary took up his abode in a town of about 10,000 inhabitants in Ohio. His entire fortune, amounting to the munificent sum of $3,000, was loaned at 5% interest. When the time for preparing the assessment rolls came around, he was furnished by the tax assessor with the usual blanks to be filled out and sworn to, in which he was required to list and appraise, among other things, his household furniture and library, and also all money loaned on mortgage or otherwise. He was an honest and truthful man. His furniture and library had cost about $1,800, which he, with some qualms of conscience, however, appraised at $500, on the theory that while it was really worth more, it would not bring more at forced sale. He also made affidavit to the simple fact that he had $3,000 loaned on mortgage security, and that this credit was worth $3,000. How could he, with the fear of God in his heart, do otherwise? Now while there were in this town one or two millionaires, and numbers of people worth more than a hundred thousand dollars each, and scores of residences in which the books and furniture were worth from five to ten thousand dollars, yet the assessment rolls that year showed that this poor missionary was living in the most expensively furnished house in the place, and that he was one of the largest lenders of money which it afforded. The tax rate was 2½%, hence the missionary was able to net 2½% interest on his loan. He had the poor satisfaction of knowing, however, that of all the people in that town who had filled out and sworn to an assessment blank, he was the only one who had not deliberately committed perjury. It is safe to say that instances like this can be duplicated in every community in the United States where a single honest rendition of personal property for taxes can be found, even if this story is not literally true in all respects.

levied. It is not for want of earnest and long sustained effort that the failure of this system of taxation has come to pass. For centuries the effort has been made; and for at least six centuries it was backed by all the power of a government which commanded the whole civilized world, and which armed its tax-gatherers, not with the paltry weapons of oaths and penalties, but with the more substantial powers of indiscriminate search, the lash, the rack, the thumbscrew, the gridiron, and the cross. The Roman empire fell to pieces under the pressure of this vain effort to reach personal property by taxation. * * *

"Gibbon mentions, quite as a matter of course, that fathers murdered their children on a large scale, principally as a result of fear of tax-gatherers; that racks and scourges were freely used; that the approach of the tax-gatherer 'was announced by the tears and terrors of the citizens'; and that false returns were punished with horrid deaths, as being both 'treason and sacrilege' (History, chapters xiv and xvii).

"That which all the tremendous power of Rome in its grandest days failed to accomplish, that which the infernal tortures of Spain could not accomplish, when it beheaded hundreds, burned thousands, and massacred tens of thousands, letting loose a brutal soldiery in a vain struggle to tax the Netherlands, American farmers are still apparently convinced that they can accomplish by distributing blank forms, administering long oaths, and threatening penalties of fifty per cent. How far they have succeeded, governors, assessors and tax commissions in New York, Ohio, Maryland, West Virginia and many other States have set forth again and again, lamenting the utter failure of the system. Their complaints have become monotonous in their uniformity. * * *

"The result of the widespread maintenance of these taxes is to fill the land with liars and perjurers. In some States the business of perjury is mostly

confined to the assessors; who regularly make returns which they know to be false, but cannot make true. In others, such as Ohio, Vermont, Connecticut, all the Southern States and most of the Western States, perjury is the business of the tax-payers. Their scrupulous consciences in many cases find a way of escape by omitting, in fact, to take the oath which they sign; and they are innocent of everything except lying. The delicately conscientious get some one to sign for them; and where an oath is absolutely required, a considerate notary certifies to the oath before it is taken; after which, of course, it is not taken at all. On surveying the whole field, however, one's faith in American truthfulness is cheered, and we entertain large hope for the future of humanity. For it appears that where blanks are diligently circulated and oaths insisted upon, the average man will return ten, if not fifteen per cent, of his personal property; whereas, in the absence of this appeal to piety, he will return nothing at all. * * * In one town (in New York) the proceeds of a single auction sale of cattle, belonging to one resident, amounted to $360,000; while the whole assessment of personal property in that town was $28,850; 'a sum very much less than that obtained for one cow.'

"The assessors say: 'A large percentage of all the personal property assessed is found entered on the rolls to women, minor heirs, lunatics, who cannot watch with the eagle eye of business men, or to trustees or guardians.' In some towns these classes held more than one-half of all the personal property on the assessment roll. Two women, residing in the village of Batavia, were assessed for more personal property than all the individuals in the neighboring city of Rochester, with a population of 70,000. In one town a girl, mentioned in the assessment as a lunatic, was assessed $5,000 for personal property, which the assessor stated was the full amount of her personal estate. All over the State 'the amount of

the assessment depends more on the will, craft, conscience (or want of conscience) of the party assessed than upon the law or its enforcement.'

"The state of affairs has grown worse with each succeeding year. In 1892 a ridiculous law was passed, much lauded by the governor, requiring applicants for reduction of assessment to make oath that they had not incurred debts in the purchase of non-taxable property, or for the purpose of avoiding taxation. It ought to have been entitled: 'An act to punish truthfulness and to reward perjury.'

"Experienced assessors in every State say that the most honest returns of property are always made by the poorer classes, and the most inadequate returns by millionaires; while widows who have no experience in business, and trustees who represent widows and orphans, are taxed upon every dollar that they own.

"The experience of California furnishes perhaps the latest example of the utter failure of all schemes for taxing personal property to work out anything like an approximation to justice.

"In 1879 a new constitution was adopted. * * * Under this constitution and these laws, not only were bonds, money and credits made taxable, without any deduction on account of debts, except from credits, and then only such debts as are due to residents of the State of California; but holders of stock in corporations were avowedly and intentionally subjected to double taxation; first, upon the corporate property, and again upon the capital stock, which is merely their evidence of title to that property. It was supposed, alike by the friends and enemies of the new constitution, that under its operation personal property of every description would be thoroughly reached, and at any rate, that whatever was by chance overlooked would be more than made up by double taxation upon that which was found. The actual result has been to falsify all the predictions of both the friends and enemies of the

constitution; for it has done almost none of the good or evil which was anticipated; for the reason that the capacity of the patriotic taxpayer to commit perjury has been altogether underestimated. Some of the results are positively ludicrous.

"If the assessment returns are to be believed, in nine-tenths of California there is not a pound of butter; in four-fifths of the State the sheep do not produce any wool; fifty counties have quantities of beehives, but only four have any honey; personal property is vanishing from San Francisco; loans of money are becoming unknown in the rest of the State; municipal bonds of all kinds are not held within the State to an amount equal to one-tenth of those outstanding; and finally, money has been smitten by a pestilence, two-thirds of all that was there before the adoption of the constitution having already taken to itself wings, and showing no signs of returning. * * *

"The general result has been that the proportion of personal property to the whole assessed value of property has steadily fallen from 50 per cent in 1861 to 34 per cent in 1874, 26 per cent in 1880, and 13½ per cent in 1894. * * * While improvements upon land in San Francisco increased about one-third in six years, money fell off more than two-thirds, and other personal property nearly one-third. In the rest of the State, which is mainly agricultural, the value of improvements increased nearly one-half; personal property, other than money, increased nearly one-sixth; while the loss of money among the farmers, though severe, did not compare with the affliction which befell the capitalists of San Francisco. The general result was to reduce the share of San Francisco in the State tax from 40 per cent to 30 per cent. In other words, the city paid 25 per cent LESS, and the farmers 16 2/3 per cent MORE. This result has continued ever since. * * *

"According to unanimous testimony, the city of Boston is so fortunate as to possess a board of assessors in whose honesty and ability every one has confidence, and who are fanatical believers in the taxation of personal property. These assessors are armed by law with almost despotic powers of search and with absolutely despotic powers of valuation. They can ransack every man's books; they can disregard all the evidence, when they have finished. After exhausting all their powers of inquiry, they are allowed to meet in secret, to go through a process of arbitrary assessment, fitly known by the name of 'dooming.' Their return of details for the year 1889 showed that the whole amount of taxable property, which they were actually able to discover, was $39,000,000, exclusive of bank stock. Being dissatisfied with this estimate, which was all that was justified by any facts which they could state, they proceeded to multiply it four and a half times by a mere guess. In their dooming chamber they guessed that personal property, other than bank stock, ought to be valued at $186,000,000; and the citizens of Boston were compelled to pay taxes upon that amount. Could anything be more monstrous or more absurd than a system of taxation which, even when administered by phenomenally honest and competent men, produces such results? * * * Almost the whole of the things visible to Boston assessors consisted of merchandise and machinery. Taxes upon these, of course, if equally distributed, simply increased the cost of goods to consumers, just as excise duties on whisky increases the cost of whisky to drinkers. But it is manifest, from the arbitrary increase made by the assessors, that these taxes were not equally distributed, and therefore one large section of taxpayers was robbed for the benefit of the other section. For unequal taxation upon producers makes it impossible for those who are taxed beyond their just share to recover such excess from their customers; while those who are taxed below

their share recover all which they have paid under strictly equal taxation. It follows that those who are taxed most are simply plundered, under forms of law, for the profit of their competitors who are taxed least. If Havemeyer and Spreckles were the only refiners of sugar, and both were taxed equally upon their production, both would recover the tax from their customers. But if Havemeyer should be taxed, while Spreckles went free, Spreckles could undersell Havemeyer, who would be practically robbed for Spreckles' benefit. * * *

"In Illinois an even more drastic method prevails. A Board of Equalization, if of the opinion that the valuation of any county is too low, increases everybody's taxes fourfold, on the assumption that all have made false returns alike. Thus the conscientious taxpayer is made to feel that virtue must indeed be its own reward."

The poorer classes, including the small farmer and the modest home owner in town or city, are those who suffer most from any maladjustment of the powers of government. For not only are the rich better able to stand the losses resulting from it, but it is easier for them to evade or ward off the ill effects of legislation which violates the natural law. This is nowhere more manifest than in matters of taxation. Thus, the buildings and improvements of small farmers and home owners in moderate circumstances everywhere approach a certain degree of uniformity, and the approximate value of improvements of this class is a matter of common knowledge. It is, therefore, difficult to under-appraise them for taxation. Not so, however, as regards the palaces of the rich and the immensely valuable improvements in the cities. Again, in the country, every one has more or less knowledge of his neighbor's

business, of the live stock which he owns and the amount of money which he may have loaned out, etc. This is not the case in cities and towns; hence tax assessors in small places are more likely to list a greater percentage of personal property than in larger communities. In fact, experience shows that this is nearly always so, and the burden of this species of taxation falls with greater weight upon the country than upon the town, upon the man of small means than upon the man of large means. Not only so, but the man in moderate circumstances cannot afford, like the millionaire, to spend time and money, legitimately or otherwise, on tax assessors and boards of appraisement for the purpose of securing a small rendition and low assessment of his property. And so in every State in the Union, notwithstanding all kinds of legislation to prevent it, the greater a man's possessions in stocks and bonds and personal property generally, as well as in improvements on land, the less in proportion are the taxes which he pays on property of this kind, compared with the man of moderate means. While the tax collector is sometimes able to list thirty or forty per cent of the poor man's wealth in personal property and improvements he is compelled to let the rich man off on far better terms.

As shown in previous chapters, a tax on economic rent, or, in other words, a tax on land alone, according to its value without reference to improvements, is a tax on privilege. It is merely the taking by the government of a portion of the tribute paid for the privilege of employment, which would otherwise go to individuals; while a tax on the products of industry is, in effect, the levying of a fine on enterprise.

On the average, the more valuable the land the less valuable in proportion are the improvements which rest upon it. Thus in a small place a mechanic puts up a thousand or fifteen hundred dollar house on a five hundred dollar lot, while in the best residence portions of a city the ground on which a handsome dwelling is built usually costs as much if not more than the building itself, and in the business districts this is almost invariably the case. In New York, for instance, as already mentioned, land values on Manhattan Island, exclusive of improvements, are assessed at $4,000,000,000, while improvement values are assessed at only about half that amount, and in that city there are comparatively few buildings which are as valuable as the land on which they stand. As to the farmer, the less valuable the land which he cultivates, the more valuable in proportion are the improvements and personal property upon it, including the value of the work done in reducing the land to cultivation. This is the rule when land in actual cultivation only is considered, but it cannot apply when much of the farmer's land is unimproved, and when he is in fact more of a land speculator than a farmer.

It is thus evident that every one whose personal property and improvements exceed the value of his land will be directly benefited by the transfer of taxes from the products of labor to land alone, or, in other words, by the remission of fines upon industry, and the consequent increase of taxes on privilege. That this would result in the reduction of the direct taxes of an overwhelming majority of the land owners of this country, including the farmers, is

clearly shown in the work on Natural Taxation already referred to.*

Indirect taxes, such as those raised by means of a tariff on imported goods, and those levied through the internal revenue department of this country, are collected impartially from all consumers, rich and poor alike; but such taxes involve enormous waste, and bear with crushing weight upon the small property owner as well as upon the poor who have no property at all. The merchants who sell goods which have been taxed by this method must collect from the consumer not only the amount originally paid the government on the article taxed, but enough more to provide a profit for himself and for all who have previously handled it, on the additional outlay of capital thus required. This, like all attempts to tax wealth generally, has the effect of reducing the purchasing power of wages in this country 15 per cent or more.† In other words, if we could abolish indirect taxation and all taxes levied upon the products of industry, without in any way shifting the burden upon consumers, the income of all workers would in effect be increased at least 15 per cent from this cause alone.

Our present method of raising public revenues is well characterized by Mr. Shearman as "crooked taxation." It is crooked, because, while based in some instances on the theory apparently of making those who have the most pay the most, in practical

*The subject of this chapter is so thoroughly and interestingly covered in Shearman's "Natural Taxation," that nothing more than a mere outline of the single tax will be attempted in this work.

†See Natural Taxation, Chapter II.

operation it compels every citizen, whether a property owner or not, to contribute to the support of the government, not according to his ability to pay, nor according to benefits received, but according to the number of mouths he must feed and the number of backs he must clothe. For the effect of all attempts to tax wealth is to increase the prices of things taxed, or the amount paid for the use of them. In the long run, and on the average, the consumer or the user reimburses the property owner for all taxes which the property owner pays on the things which the consumer uses or consumes. The tax on a building, for instance, is taken into account in fixing the rent of the tenant, as much so as the cost of insurance, repairs and janitor service. As a general rule, an additional tenement will not be put up in any locality until the demand is strong enough to enable the owner to collect sufficient rent to cover taxes on the building as well as interest on the cost of it. Hence tenants pay the taxes assessed against tenement house improvements. So also, if it were possible to tax credits with any degree of uniformity, rates of interest would rise, and users of capital borrowed would in effect pay the taxes levied against lenders.

Not only is the present system of taxation crooked in that it enables those who in the first instance pay taxes on wealth to largely shift the burden upon those who must use or buy the articles taxed, but, in the very nature of things, such taxation falls with crushing effect upon the poor, as compared with its effect upon the rich. This is so because taxes must always be paid out of the taxpayer's possible savings. The average working man in the United States,

taking into account the time lost in involuntary idleness, earns less than $400 a year.* Of this amount he uses, say $395 for support of himself and family (little enough, surely), leaving possibly $5 a year to lay by for old age! If no taxes were levied on the products of industry, *i. e.*, on wealth, and if taxes were so levied that the burden could not be shifted, the laborer's income, and all incomes derived from labor, would, as shown by Mr. Shearman, be advanced 15 per cent or more. In other words, the average working man could live just as comfortably then on $335 a year as he can now on $395. He could just as easily save $60 a year then as he can save $5 a year now. His possible savings would be increased twelve-fold. He could save money twelve times as fast. The burden of taxation at present, therefore, is so adjusted as to take eleven-twelfths or more of the possible savings of the average working man, or nearly one-sixth of his entire income.

When we think of the taxpayers of a community, we usually leave out of consideration the heaviest taxpayers of all, the people who own no taxable property. We lose sight of this truth, because of our crooked system of taxation; it is unwittingly, yet skillfully, arranged to increase the burdens of the poor to the benefit of the rich, without either rich or poor suspecting that such is in fact the case.

Take another illustration: The direct taxes of a farmer worth $10,000, who has an income of $1,000, are, say, $100 a year. He can live comfortably on $800. His possible savings, therefore, amount to $200 annually, *one-half* of which is consumed in the

*See "Natural Taxation"; also Carroll D. Wright's "Practical Sociology."

payment of direct taxes; hence his net savings amount to $100 a year. He has a neighbor worth twice as much, or $20,000, whose direct taxes are therefore twice as great, or $200. Suppose this neighbor's income to be twice as great also, or $2,000 a year. The neighbor can also live comfortably on $800 a year; his possible savings, therefore, are $1,200, of which $200, or only *one-sixth,* is consumed in the payment of direct taxes, and his net savings amount to $1,000 a year. The burden of direct taxation upon the farmer worth $10,000 is therefore ten times as heavy as upon the farmer worth $20,000. The latter, although worth but twice as much, can live as well as the former and yet save ten times as much. And so, "The destruction of the poor is their poverty."

If these comparisons be extended so as to include incomes of a million dollars and upwards, it will be seen that the burden of taxation often bears upon the man with a small income a thousand and sometimes ten thousand times heavier than upon millionaires and multi-millionaires. The result of this crookedness is to render it more difficult for the poor, and less difficult for the rich, to accumulate savings than would otherwise be the case. This to some extent explains the fact that while the number of those who have large fortunes is rapidly increasing in America, the percentage of the total population who have no taxable property at all is increasing much faster.

It may be said in reply that an overwhelming majority of workingmen would continue to spend all they made as fast as made, no matter to what extent wages were advanced; but even so, a permanent

increase in the purchasing power of wages would nevertheless make it easier for thrifty workingmen to save. More therefore would save. The number of property owners would be increased and the foundations of good government would be broadened. At present extraordinary strength of character is necessary to enable one to support himself and family and save anything on $400 a year. The few who are thus endowed usually rise above their fellows and become employers and managers themselves. The causes of increasing discontent in the ranks, however, cannot be safely ignored simply because privates who deserve promotion have the chance of attaining it.

Should the present ratio of increase of tenants on farms and in the cities and towns be maintained for a few decades longer, less than one per cent of the families of America will soon own the land on which the other ninety-nine per cent must live. It is evident that the mildly restraining powers of a free government will be utterly incapable of coping with the forces of discontent which the house of Want will then marshal against the house of Have. And unfortunately this kind of discontent is intensified rather than alleviated by common schools and the spread of intelligence generally. Hence, just in proportion as we approach the conditions referred to, government by injunction, martial law and methods of like character will become more and more frequently necessary. A "strong government" must in the end appear, which will habitually ignore all constitutional guarantees of individual freedom. Was not something of this kind recently seen in Colorado?

It is evident that methods for raising the public

revenue, which waste so much in the collecting, which put a premium upon fraud and perjury, which impose fines upon industry, which shift the burden from the rich to the poor, and tend to steadily lessen the size of the property-owning class, cannot conform to the natural law. But it is claimed in some quarters that there is no natural law pertaining to taxation; that nature has given no intimation of any plan by which means for satisfying the increasing social or governmental wants of mankind can be obtained without waste, confusion and injustice. Can this be so when all human progress is the result of the effort of man to ascertain the natural law, be it moral or physical, and conform his actions to it? In no other way does he conquer nature; in no other way can he conquer himself.

Man's relation to his fellow-men, and to the land on which all must live, is such that government is necessary. It is necessary not only to prevent the strong from imposing upon the weak, but to enable man to rise above the tyranny of physical environment and most effectively subject to his use the forces of the universe. Government, for instance, enables him to lay out and improve highways, without which he could never have risen from the savage state. It enables him to dot the seacoast with lighthouses and life-saving crews, to warn the mariner and the farmer of approaching storms, to conserve life and health by public sanitary measures, and at a minimum of effort to provide means of education through public schools and means of communication through public mails. Government is necessarily something more than the big policeman, whose duties, it is claimed by the *laissez faire* school of econ-

omists, should end with the preservation of order. Government is in effect a great co-operative organization, actively engaged even now in assisting men in the production of wealth. And it is more than probable that, with increase of intelligence and improvements in morals, the functions of government will be largely extended, and an immense saving of human energy thus effected which would otherwise be wasted in misapplied efforts and senseless competition.

To enable government to best serve the people in the constantly extending sphere of its activities, a constantly increasing revenue is necessary. Since this revenue is to be used for the benefit collectively of all the people, would not the ideal fund from which it should be drawn by taxation be a fund produced collectively by all the people? If there is such a fund, if taxes can be so adjusted as to be drawn entirely from it, would it not seem as though this fund had been created for this very purpose? Would not the natural law clearly indicate that this fund, produced by the common energy and enterprise of all, ought first to be used by the government for the benefit of all, before drawing from funds produced by individual effort?

In land values, we have in all respects a fund of the character above indicated.

The value which a certain tract of land has, exclusive of all improvements on it, depends not on what its owner does, but upon what the people collectively do. If they settle around it and improve adjoining lands, they collectively create and bestow upon this particular tract additional values; if they move away from it, if the population of the neighborhood de-

creases, the value of the land decreases also. And when public revenues are expended in its vicinity in the improvement of streets and highways, and in the maintenance of good schools and good government generally, the land is thereby directly enhanced in value. And as population and the needs of government increase in any community, the land value fund of that community automatically increases in like proportion in accordance with an apparently preconceived plan to supply in this way a fund with which to meet the growing wants of government.

If nature has decreed that the values attaching to land shall ultimately be appropriated by taxation for the common benefit of the people who in common create them, then none of the evils connected with attempts to tax wealth* which have been pointed out should flow from the taxation of land values. In point of fact, a tax on land alone, according to its value, and not in excess of economic rent, can never give rise to such evils. For such a tax is merely the appropriation by the government of tribute money which would otherwise be appropriated by individuals.

If we consider the effects which would result from levying all direct taxes on land values alone, we find that none of the objections which necessarily flow from all attempts to tax wealth would apply. In the first place, such a system of taxation would constantly tend to lessen instead of constantly tending to increase the burden of small property owners;

*The meaning of wealth as used in this chapter and elsewhere in this work must not be confused with the broader popular definition of the word.

it would tend to distribute wealth among the many rather than to concentrate it among the few.

Again, no taxpayer would have the slightest inclination to commit perjury. It would be impossible for him to conceal his land, and it would be useless for him to place any value upon it. The improvements on any particular tract of land not being considered in determining its value, tax assessors and boards of appraisers would fix the values of all lands by reference to maps showing the location of the property, and without regard to the ownership of it. In fact, no other course would be possible, since excuses could not be trumped up for placing different values upon tracts in the same neighborhood having in fact the same value. Every property owner would be able to compare the valuation placed upon his own land with that placed upon his neighbor's, unembarrassed by questions relating to the value of improvements; hence almost absolute uniformity of taxation would be secured, and this, too, at a minimum of expense, since vast hordes of tax-gatherers and tax officials could be dispensed with.*

Not one of the evils necessarily accompanying all attempts to tax wealth, to which attention has been called in the preceding pages, can be urged against the system of natural taxation referred to in this chapter. Not only would taxpayers be relieved from all attempts on the part of dishonest tax officials to extort blackmail, not only would unfair discriminations between individuals be ren-

*Many progressive cities in the United States have already adopted this plan of assessing property under what is known as the "Somers System."

dered practically impossible, but no one would then be deterred by fear of increase of taxation from employing labor in putting improvements on land.

Neither would there be any shifting of the burden of taxation; consumers would reap the entire benefit in the reduction of prices, and tenants in the reduction of rents. For instance, it costs less than 25 cents a gallon to manufacture whisky, yet the article sells at wholesale for $1.75 a gallon and upwards. This difference between the cost of production and the price paid by the wholesale dealer results from the fact that whisky is taxed by the Federal Government 90 cents a gallon. The consumer therefore pays this tax, together with the additional profit received by middlemen on account of the additional capital required, by reason of the tax, to handle the thing taxed. Can one doubt but that if the tax were removed, consumers would buy whisky for less than 30 cents a gallon, instead of paying $1.75 and upwards? It is thus evident that consumers, and not manufacturers and dealers, would reap the benefit of the exemption from taxation of personal property.

It is equally clear that the renter, and not the land-owning landlord, would also in the long run obtain all the advantages resulting from exempting buildings and improvements on land from taxation. Take even the modern office building as an illustration, which occasionally, though very rarely in large cities, exceeds in value the land which it occupies. At first thought one might conclude that owners of properties of this kind would reap the benefit, and not the tenants who occupy them. For the first year or two such might be the case, but the owners

of equally valuable unimproved or but partially improved lots in the same neighborhood could not afford to have their taxes doubled, without any increase of income from the property taxed, as would be the case if no taxes were levied on improvements and personal property. They would, therefore, be compelled to put up improvements themselves of a character suitable to the locality. There being no taxes on buildings, it costing no more to hold a tract of land with a suitable improvement on it than to hold it in partial or absolute idleness, land owners would respond more quickly than under present conditions to an increased demand for tenements. Competition among landlords for tenants would therefore reduce rents.*

Reflection will satisfy the reader that a tax on land values cannot be shifted, so long as it does not exceed the economic rent of the land; that it is always a straight tax, and never a crooked one; that it must always be paid by the land owner in the end, and never by any one else. This is so, because it is an appropriation by the government of a portion of the economic rent, or a portion of the increase in the value of land, which would otherwise be appropriated by the land owner. A tax on buildings increases the amount which must be paid for the use of them; a tax on money or on credits (if it could be collected) would increase rates of interest; a tax on food, clothing, or any other article of consumption, increases its cost to the consumer; but a tax on land values has just the opposite effect, it simply makes land cheaper. It increases the difficulty of holding land

*See pages 206 and 207.

in idleness; and if the tax were gradually increased this difficulty would be gradually increased also, until the time would finally come when all idle land would be free land; and hence the paradox that the wealthy would be the least benefited by abolishing taxes on wealth.

APPENDIX.

THE RIGHT TO THE USE OF THE EARTH.

THE following is from the first edition of Mr. Herbert Spencer's "Social Statics," Chapter IX, on "The Right to the Use of the Earth":*

"1. Given a race of beings having like claims to pursue the objects of their desires—given a world adapted to the gratification of those desires—a world into which such beings are similarly born, and it unavoidably follows that they have equal rights to the use of this world. For if each of them 'has freedom to do all that he wills, provided he infringes not the equal freedom of any other,' then each of them is free to use the earth for the satisfaction of his wants, provided he allows all others the same liberty. And conversely, it is manifest that no one, or part of them, may use the earth in such a way as to prevent the rest from similarly using it; seeing that to do this is to assume greater freedom than the rest, and consequently to break the law.

"2. Equity, therefore, does not permit property in land. For if *one* portion of the earth's surface may justly become the possession of an individual, and may be held by him for his sole use and benefit, as a thing to which he has an exclusive right, then *other* portions of the earth's surface may be so held; and eventually the *whole* of the earth's surface may be so held; and our planet may thus lapse altogether into private hands. Observe now the dilemma to which this leads. Supposing the entire habitable

*This chapter was omitted in the subsequent editions of "Social Statics."

globe to be so enclosed, it follows that if the land owners have a valid right to its surface, all who are not land owners have no right at all to its surface. Hence, such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them a resting place, these landless men might equitably be expelled from the earth altogether. If, then, the assumption that land can be held as property involves that the whole globe may become the private domain of a part of its inhabitants; and if, by consequence, the rest of its inhabitants can then exercise their faculties—can then exist even—only by consent of the land owners; it is manifest, that an exclusive possession of the soil necessitates an infringement of the law of equal freedom. For men who cannot 'live and move and have their being' without the leave of others, cannot be equally free with those others.

"3. Passing from the consideration of the possible to that of the actual, we find yet further reason to deny the rectitude of property in land. It can never be pretended that the existing titles to such property are legitimate. Should any one think so, let him look in the chronicles. Violence, fraud, the prerogative of force, the claims of superior cunning—these are the sources to which those titles may be traced. The original deeds were written with the sword, rather than with the pen; not lawyers, but soldiers, were the conveyancers; blows were the current coin given in payment; and for seals, blood was used in preference to wax. Could valid claim be thus constituted? Hardly.. And if not, what becomes of the pretensions of all subsequent holders of estates so obtained? Does sale or bequest generate a right where it did not previously exist? Would the original claimants be nonsuited at the bar of reason, because the thing stolen from them had changed hands? Certainly not. And if

one act of transfer can give no title, can many? No; though *nothing* be multiplied forever, it will not produce *one*. Even the law recognizes this principle. An existing holder must, if called upon, substantiate the claims of those from whom he purchased or inherited his property; and any flaw in the original parchment, even though the property should have had a score of intermediate owners, quashes his right.

" 'But Time,' say some, 'is a great legalizer. Immemorial possession must be taken to constitute a legal claim. That which has been held from age to age as private property, and has been bought and sold as such, must now be considered as irrevocably belonging to individuals.' To which proposition a willing assent shall be given when its propounders can assign it a definite meaning. To do this, however, they must find satisfactory answers to such questions as, How long does it take for what was originally a *wrong* to grow into a right? At what rate per annum do invalid claims become valid? If a title gets perfect in a thousand years, how much more than perfect will it be in two thousand years? —and so forth. For the solution of which they will require a new calculus.

"Whether it may be expedient to admit claims of a certain standing, is not the point. We have here nothing to do with the considerations of conventional privilege or legislative convenience. We have simply to inquire what is the verdict given by pure equity in the matter. And this verdict enjoins a protest against every existing pretension to the individual possession of the soil; and dictates the assertion that the right of mankind at large to the earth's surface is still valid; all deeds, customs and laws notwithstanding. * * *

"9. No doubt great difficulties must attend the resumption, by mankind at large, of their rights to the soil. The question of compensation to existing proprietors is a complicated one—one that perhaps

cannot be settled in a strictly equitable manner. Had we to deal with the parties who originally robbed the human race of its heritage, we might make short work of the matter. But, unfortunately, most of our present landowners are men who have, either mediately or immediately—either by their own acts, or by the acts of their ancestors—given for their estates equivalents of honestly earned wealth, believing that they were investing their savings in a legitimate manner. To justly estimate and liquidate the claims of such, is one of the most intricate problems society will one day have to solve. But with this perplexity and our extrication from it, abstract morality has no concern. Men having got themselves into the dilemma by disobedience to the law, must get out of it as well as they can; and with as little injury to the landed class as may be.

"Meanwhile, we shall do well to recollect that there are others beside the landed class to be considered. In our tender regard for the vested interest of the few, let us not forget that the rights of the many are in abeyance, and must remain so, as long as the earth is monopolized by individuals. Let us remember, too, that the injustice thus inflicted on the mass of mankind is an injustice of the gravest nature. The fact that it is not so regarded proves nothing. In early phases of civilization even homicide is thought lightly of. The suttees of India, together with the practice elsewhere followed of sacrificing a hecatomb of human victims at the burial of a chief, shows this; and probably cannibals consider the slaughter of those whom 'the fortune of war' has made their prisoners, perfectly justifiable. It was once also universally supposed that slavery was a natural and quite legitimate institution—a condition into which some were born, and to which they ought to submit as to a Divine ordination; nay, indeed, a great proportion of mankind hold this opinion still. A higher social development, however, has generated in us a better faith, and we now, to a considerable extent,

recognize the claims of humanity. But our civilization is only partial. It may by-and-by be perceived that Equity utters dictates to which we have not yet listened; and men may then learn that to deprive others of their rights to the use of the earth, is to commit a crime inferior only in wickedness to the crime of taking away their lives or personal liberties.

"10. Briefly reviewing the argument, we see that the right of each man to the use of the earth, limited only by the like rights of his fellow-men, is immediately deducible from the law of equal freedom. We see that the maintenance of this right necessarily forbids private property in land. On examination all existing titles to such property turn out to be invalid; those founded on reclamation inclusive. It appears that not even an equal apportionment of the earth amongst its inhabitants could generate a legitimate proprietorship. We find that if pushed to its ultimate consequences, a claim to exclusive possession of the soil involves a land-owning despotism. We further find that such a claim is constantly denied by the enactments of our legislature. And we find lastly, that the theory of the co-heirship of all men to the soil is consistent with the highest civilization; and that, however difficult it may be to embody that theory in fact, Equity sternly commands it to be done."

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